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Thursday,
1st September, 1955

PARLIAMENTARY DEBATES

HOUSE OF THE PEOPLE

OFFICIAL REPORT

PARLIAMENT SECRETARIAT
NEW DELHI

Price Six Annas (Inland)
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LOK SABHA DEBATES

(Part I Questions and Answers)

Acc. No. 25462
Dated 11.02.201

LOK SABHA

Thursday, 1st September, 1955

The Lok Sabha met at Eleven of the Clock.

[MR. SPEAKER *in the Chair*]

ORAL ANSWERS TO QUESTIONS

Middle-Income Group Housing Scheme

*1303. **Shri Radha Raman:** Will the Minister of **Works, Housing and Supply** be pleased to refer to the reply given to unstarred question No. 231 on the 12th March, 1955 and state:

(a) whether the Middle-Income Group Housing Scheme has since been finalised; and

(b) if so, the details thereof?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): (a) and (b). The broad principles on which Government propose to operate the Scheme, in co-operation with Insurance Companies are placed on the Table of the Lok Sabha. [*See* Appendix VII, annexure No. 41.] The replies received from the Insurance Companies are now under examination with a view to formulating detailed working rules of the Scheme.

Shri Radha Raman: May I know that is the total amount that Government wants to invest in this scheme in the ratio of 25 : 75 as suggested in the statement laid on the Table.

Sardar Swaran Singh: No firm figure has yet been settled.

Shri Radha Raman: May I know which are the insurance companies that have been approached by the Government and that have agreed to join the scheme.

Sardar Swaran Singh: A large number of insurance companies have been addressed on the subject and replies have not been received from all of them as yet.

Shri Radha Raman: May I know, at the State level, what machinery the Government is thinking to set up in order to invite applications, scrutinise them and accept them.

Sardar Swaran Singh: The intention is not to set up any machinery at State level and the insurance companies under the scheme will really be inviting the applications.

श्री एम० एल० द्विवेदी : क्या यह सच है कि सरकार लो इनकम ग्रुप के लिये हाउसिंग के वास्ते जो रुपया देती है उसके लिये बहुत अर्जियां आ चुकी हैं लेकिन रुपया मिलने में कठिनाई होती है ? अगर यह सच है तो क्या इसके लिये सरकार कोई प्रबन्ध कर रही है कि यह रुपया जल्दी मिल सके ?

सरदार स्वर्ण सिंह : जब तक कोई खास केस नोटिस में न लाया जाये तो इस तरह का ब्राड स्टेटमेंट मान लेना मेरे लिये मुश्किल है ।

Homes and Infirmaries

*1306. **Shri Krishnacharya Joshi:** Will the Minister of **Rehabilitation** be pleased to state:

(a) whether Government have implemented the recommendations of the Committee appointed under the Chairmanship of Shrimati A. John Mathai to review the working of Homes and Infirmaries for Displaced Persons from West Pakistan from the 1st April, 1955; and

(b) if so, the main recommendations implemented.

The Deputy Minister of Rehabilitation (Shri J. K. Bhonsle): (a) Yes.

(b) A copy of the Government of India letter No. 15 (7)(1)/54-RHC, dated the 15th March, 1955 incorporating the decisions taken on the recommendations of the Homes Reorganisation Committee is placed on the Table of the Lok Sabha. [*Placed in the Library. See* No. S-22/55.]

Shri Krishnacharya Joshi: May I know the total number of persons admitted to these homes and infirmaries and the total amount spent by Government?

Shri J. K. Bhonsle: It will be very difficult to say the total number of people that were admitted for the last seven years; but I can give some figures. On 31st December, 1953 we had 28,855 persons and on 31st May, 1955 we had 25,306 persons. In 1953-54 we spent Rs. 114 lakhs, in 1954-55 we spent Rs. 114 lakhs and this year we propose to spend a crore.

Shri Krishnacharya Joshi: May I know how long the Government propose to continue these homes?

Shri J. K. Bhonsle: It is very difficult to answer that question except to say that there are a good number of destitutes, very aged and infirm, in respect of whom the Government is committed to look after them all the time that they are in that state. As regards the others, as soon as the inmates are able to master the arts we teach them in the form of various avocations, they will be gradually sent out of the homes.

Delhi Sub-soil Water

***1307. Shri Jhulan Sinha:** Will the Minister of **Works, Housing and Supply** be pleased to refer to the reply given to starred question No. 1441 on the 24th March, 1955 and state the result of the experiments conducted so far in Delhi to see the effect of pumping out the sub-soil water?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): Experiments to study the effect of pumping out the sub-soil water are still being continued and the data so far collected as a result of working a few tube wells shows that the soil has a compact structure, and does not allow free flow of water across it on account of which the yield of the tube-wells is low and the effect only travels roughly upto a distance of about 500 feet.

Shri Jhulan Sinha: May I know if we can rest assured that there is no imminent danger to life, to the structure of Parliament House and to this part of the country now?

Sardar Swaran Singh: He need not have any such fears.

India Coffee Board

***1309. Shri Gidwani:** Will the Minister of **Commerce and Industry** be pleased to state:

(a) whether Government have received a memorandum protesting agianst the proposed closure by the India Coffee Board of some of its catering centres;

(b) if so, the action taken on the memorandum;

(c) the number of catering centres which were opened by the India Coffee Board upto the 31st March, 1955; and

(d) how many of them are expected to function permanently?

The Minister of Commerce (Shri Karmarkar): (a) Yes, Sir.

(b) Government have advised the Coffee Board to go slow in the matter so that hardship to labour is avoided. Coffee Board has also been asked to explore the possibility of opening new India Coffee Houses.

(c) 65 in India and 2 in places now situated in Pakistan.

(d) It is not possible to indicate any definite number.

Shri Damodara Menon: May I know whether any catering centre has already been closed?

Shri Karmarkar: I think the centre in Mysore has been closed.

Shri M. S. Gurupadaswamy: Yes. But, why?

Mr. Speaker: Order, Order.

Shri Damodara Menon: May I know whether the newly constituted Coffee Board has been consulted in this matter?

Shri Karmarkar: That centre was closed earlier than the constitution of the new Coffee Board.

Shri M. S. Gurupadaswamy: May I know why, of all the places, Mysore alone has been chosen for closing down the coffee catering centre?

Shri Karmarkar: It was closed because it was not running economically; possibly because the coffee prepared at homes there is much better than the coffee prepared by the catering centre.

Shri Punnoose: May I know the number of workers and members of the staff who will be affected by this closing down and whether the Government is in a position to give an assurance that they will be absorbed in the new centres that will be opened?

Shri Karmarkar: One centre has been closed down in Mysore and with regard to the others we have asked the Coffee Board to go slow.

Shri Punnoose: I want to know the number of people involved and also whether the Government are in a position to say that when a new centre is opened these people will be absorbed there?

Shri Karmarkar: The recommendation of the *ad hoc* Committee appointed

by the Coffee Board was to close down the India Coffee Houses at Mysore, Madurai and Agra. I am not in a position to say as to how much labour is involved in these three units. With regard to absorbing that labour, I am quite sure my friend will appreciate that when a Coffee House is closed at a particular place and we do not open any other it will be difficult to absorb that labour in some other city. Therefore, we have advised the Coffee Board to go slow in this matter.

Shri Punnoose: Is it a fact......

Mr. Speaker: We will go to the next question now.

पत्रिकायें

*१३१०. **श्री भक्त दर्शन:** क्या सूचना और प्रसारण मंत्री २५ फरवरी १९५५ को दिये गये तारांकित प्रश्न संख्या २७२ के उत्तर के सम्बन्ध में यह बताने की कृपा करेंगे कि :

(क) क्या तब से 'भारतीय समाचार' और 'इन्डियन इनफार्मेशन' के प्रकाशन को फिर से आरम्भ करने के बारे में अन्तिम निश्चय कर लिया गया है; और

(ख) यदि हां, तो उन प्रकाशनों के कब तक फिर से आरम्भ किय जाने की आशा है ?

सूचना और प्रसारण मंत्री (डा० केसकर) : (क) और (ख). एस्टीमेट्स कमेटी से सलाह लिये जाने तक यह प्रश्न स्थगित रखा गया है ।

श्री भक्त दर्शन : इस प्रश्न पर काफी लम्बे समय से विचार हो रहा है । क्या मैं जान सकता हूं कि मुख्य कारण क्या है जो यह अब तक टाला गया है ?

डा० केसकर : विचार तो बहुत दिनों से हो रहा है । एस्टीमेट्स कमेटी ने यह सलाह दी थी कि सिद्धान्त से उनको कोई एतराज नहीं है कि भारतीय समाचार को फिर से शुरू किया जाय । लेकिन वह चाहते हैं कि हमारे यहां जो दूसरे पीरियाडिकल्स और मेगजीन्स हैं उनमें से किसी को बन्द करके जो पैसा बचे उससे यह भारतीय समाचार शुरू किया जाये । इस प्रश्न पर विशेष तौर पर विचार हो रहा है और हम इस मामले में फिर से एस्टीमेट्स कमेटी की सलाह ले रहे हैं ।

श्री भक्त दर्शन : क्या गवर्नमेंट के ध्यान में यह बात आयी है कि युद्ध के जमाने में यह भारतीय समाचार और इंडियन इनफार्मेशन बहुत लोकप्रिय थे और अभी भी इनके लिये जनता की बहुत मांग है ?

डा० केसकर : जी हां, मैं यह जानता हूं, और जनता ही नहीं बल्कि विशेष तौर पर यूनीवर्सिटियों और कमर्शियल बाडीज से हमारे पास बहुत बड़ी मांग आयी है कि इनको फिर से जारी किया जाये ।

श्री भक्त दर्शन : क्या गवर्नमेंट के ध्यान में यह बात आयी है कि जो पबलिकेशन डिवीजन के और हिन्दी के समाचार पत्र निकल रहे हैं, जसे 'आजकल' आदि, उनमें से कुछ को बन्द करके भारतीय समाचार का प्रकाशन जारी किया जाये तो यह कार्य उचित होगा ?

डा० केसकर : इस मामले में हम एस्टीमेट्स कमेटी से सलाह लेने का विचार कर रहे हैं । आशा है कि एस्टीमेटस कमेटी हमको उचित सलाह देगी ।

Cloth

*1311. **Pandit D. N. Tiwary:** Will the Minister of **Commerce and Industry** be pleased to state:

(a) whether it is a fact that there has been a sharp decline in the export of Indian cloth to Britain;

(b) if so, the reasons therefor; and

(c) the position of import of British cloth into India since the import duty on British cloth was reduced?

The Minister of Commerce (Shri Karmarkar): (a) and (b). There has been a slight decline in exports of Indian mill-made cotton piecegoods to the United Kingdom during the quarter April to June as compared to January to March 1955. It is thus premature to assign any reasons.

(c) Imports of cotton piecegoods from the United Kingdom for January-June 1955 show a decrease over the corresponding period last year.

Pandit D. N. Tiwary : May I know whether this decline in the export of cotton piecegoods is due to the propaganda carried on in England for stopping the import of Indian piecegoods to England ?

Shri Karmarkar : We do not expect any such trend in the United Kingdom because, as my friend perhaps knows, about 60 per cent of the piecegoods exported from India to England is used for processing and being sent abroad. We are quite sure that they will not do something to militate against their own interests.

Pandit D. N. Tiwary : May I know to what extent there has been a reduction in import duty on British cloth.

Shri Karmarkar : I think in respect of the various varieties of cotton cloth we reduced about 40 per cent *ad valorem* duty on imports from the United Kingdom.

Shri Kasliwal : May I know whether this decline in import has been in the completely manufactured cloth or in the unprocessed cloth ?

Shri Karmarkar : It is on the completely manufactured cloth.

Sardar Iqbal Singh : May I know whether Government are aware of the fact that even after the increase in the export duty there is constant agitation in Manchester about the stopping of Indian piecegoods ?

Shri Karmarkar : I read something about it yesterday morning in the newspapers, but I do not think that is a very big agitation.

भारतीय समाचार पत्र की बिक्री

*१३१२. **श्री रघुनाथ सिंह** : क्या सूचना और प्रसारण मंत्री यह बताने की कृपा करेंगे कि क्या यह सच है कि एक अमरीकी फर्म एक भारतीय समाचार पत्र का कार्यालय और मशीन आदि खरीदने का विचार कर रही है ?

सूचना तथा प्रसारण मंत्री (डा० केसकर) : सरकार को इस बारे में कोई सूचना नहीं है ।

श्री रघुनाथ सिंह : क्या मंत्री महोदय यह बतला सकेंगे कि अखबारों में टाइम्स आफ इंडिया के सेल होने की जो खबर शाया हुई है, वह वाक़ई सही है या नहीं ?

डा० केसकर : मैंने भी अखबार में इस तरह की अफवाह पढ़ी है । इसके अलावा मुझे और कोई बात मालूम नहीं है ।

Shri N. B. Chowdhury : May I know whether there is any rule that if any foreigner wants to invest any amount in some newspaper in India now owned by Indians, he will have to take the permission of the Government before doing so ?

Dr. Keskar : As far as pure newspapers are concerned, there is no Government regulation, but my colleague on the right from the Commerce and Industry Ministry might be able to say as to whether there is any bar regarding money being invested in an Indian company by foreigners.

Shri Nageshwar Prasad Sinha: May I know whether *The New York Times* have applied for permission to edit Indian editions of their paper ?

Dr. Keskar : Yes, they have.

Rehabilitation of Displaced Persons

*1315. **Shri Biren Dutt:** Will the Minister of **Rehabilitation** be pleased to state :

(a) whether, it is a fact that 64 refugee families were settled on a plot of land requisitioned by the Government of Tripura at Deochhara in Dharma Nagar Division ;

(b) whether it is a fact that a majority of these displaced persons have been forcibly evicted from their plots by a landlord ; and

(c) if so, the steps taken by Government, to resettle these families on the same plot which was requisitioned by Government ?

The Minister of Rehabilitation (Shri Mehr Chand Khanna): (a) 45 families were settled at Deochhara on a plot of land requisitioned by the Government.

(b) No.

(c) Does not arise.

Shri Biren Dutt: If the details regarding the eviction of the persons from this land are given to the Minister, may I know whether he will enquire into the matter and if there has been an eviction, may I know whether the Government will help them once again with land which had been given to them earlier?

Shri Mehr Chand Khanna: I have made enquiries into the matter and I find that 45 families were settled on this piece of land. Not a single family has been evicted from there. There is a neighbour who owns the adjoining piece of land and he has launched a case against the Government claiming that land. That matter is still under the investigation of the State Government, but according to my information, not a single person has been evicted from this particular piece of land.

Investigation into Complaints

***1317. Shri H. N. Mukerjee:** Will the Minister of **Works, Housing and Supply** be pleased to state:

(a) whether it is a fact that some complaints of corruption and nepotism have been received against the former incumbent of the office of the Director of Inspection, Supply and Disposal Directorate at Calcutta;

(b) whether it is also a fact that Government initiated investigations into the said complaints sometime in 1953; and

(c) if so, the action taken against the said officer?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): (a) and (b). Yes, Sir.

(c) Departmental Proceedings against the officer are in progress.

Shri H. N. Mukerjee: May I know if it is a fact that the Special Police investigated this matter and recommended prosecution of the officer?

Sardar Swaran Singh: It is a fact that the S. P. E. did investigate the case. They made a certain report to the Government. The report was carefully considered and after considering it, it was decided that the departmental proceedings should be started against the officer.

Shri H. N. Mukerjee: May I know if it is a fact that in spite of the findings of the Special Police—whatever that might be—and also the departmental action which the Minister has referred to, this particular officer continues to hold in Delhi the same responsibility and rank which he had in Calcutta, and if so, what are the reasons for such indulgence?

Sardar Swaran Singh: There is no question of indulgence. The matter is being gone into and he was transferred from Calcutta and was brought to Delhi. It was not considered, in the interests of work, that he should be suspended because the work that he is doing here is different from the one he was doing there.

Shri H. N. Mukerjee: May I know if Government considers it desirable to keep as Director of Insection, Delhi—which must be a fairly responsible office—a person against whom departmental action has already been recommended and is going to be taken?

Sardar Swaran Singh: The nature of the allegations against him are of such a character that regard being had to all the circumstances, it was not considered necessary to suspend him pending the enquiry.

Public Co-operation

***1318. Shri L. N. Mishra:** Will the Minister of **Irrigation and Power** be pleased to state:

(a) whether Government have any proposal to execute through public co-operation the various river valley projects with which the Centre is concerned; and

(b) if so, the names of such projects where work is being done or is proposed to be done through, public co-operation?

The Deputy Minister of Irrigation and Power (Shri Hathi): (a) and (b). Public cooperation was enlisted during the last working season in the construction of embankments of the Kosi Project; contracts were let out to labour cooperatives for small reaches on the distributaries and cannals of chambal Project in Madhya Bharat. This arrangement will be continued in the next and future working seasons. The Govternment of Rajasthan have also reported that with regard to work on the chambal Project within Rajasthan public cooperation is expected to be introduced in the next cold weather.

Shri L. N. Mishra: May I know what is the object behind the idea of executing river valley projects with public co-operation? Is it only to achieve some financial gain or to achieve some greater result, and if it, is financial gain, what is the gain?

Shri Hathi: Financial gain is not the only object. We also want to utilise the surplus man-power and we want to enthuse them and make them take interest in the construction of embankments etc. Whatever surplus time is available with them can be utlised and that would enable us to complete the project in a shorter period.

Shri L. N. Mishra: Are the Government aware of the fact that the little experience that has been gained out of the work done through public co-operation in respect of the river valley projects has shown that the existing Public Works Department's rules regarding payment, system of measurement, signing cheques, etc., do not fit in with the new experiments, and if so, may I know whether there is any proposal to amend these rules?

Shri Hathi: We have had certain initial difficulties in the Kosi project. This was a new experiment and naturally some difficulties were bound to arise. But as the work progresses, with the experience gained, naturally the Government will look to those things.

Shri Heda: In spite of what the hon. Minister has said in this regard, may I know what was the saving which the Government made in the construction of this Kosi project as a result of this public co-operation?

Shri Hathi: I am not in a position to say exactly what was the saving. I have not the figures with me. Apart from the question of savings, the question is one of completion of the work in a shorter period. If you get more men, more local people coming up to work, naturally you can finish the work earlier.

Shrimati Renu Chakravartty: May I know whether, when these co-operatives are formed, they function under the rules of the co-operative societies registered in the particular State, or, may I know in what other way do they function?

Shri Hathi: They function according to the rules of the State.

पंडित डी० एन० तिवारी : इस साल कोसी में जो काम हुआ है उस के बारे में हम लोगों ने अखबारों में देखा कि वहां पर काम करने वाले जो भारत सेवक समाज के प्रतिनिधि थे उन्होंने स्तीफा दिया और यह बात अखबारों में भी निकली तो मैं जानना चाहता हूं कि गवर्नमेंट का क्या अनुभव है कि पब्लिक कोआपरेशन आज कल जो आफिशल सेट अप है उस में फिट इन करता है या नहीं ।]

Shri Hathi: The experience is that the experiment was successful.

Tungabhadra High Level Canal

*1320. **Dr. Rama Rao:** Will the Minister of **Irrigation and Power** be pleased to refe to the reply given to Unstarred Question No. 1089 on the 27th April, 1955 and state:

(a) whether any inter-State Conference was convened to resolve the differences between the Mysore and Andhra States in reagrd to the construction of Tungabhadra High Level Canal; and

(b) If so, the outcome thereof?

The Deputy Minister of Irrigation and Power (Shri Hathi): (a) No, Sir.

(b) Does not arise.

Dr. Rama Rao: May I know the objections raised by the Mysore Government?

Shr Hathi: The objections are of two kinds, firstly about the surplus water available and secondly about the sharing of costs. These are the two main objections.

Dr. Rama Rao: In iew of the fact that under section 66(5)of the Andhra State Act, it has been laid down that the Tungabhadra Dam is intended for the supply and distribution of water of the Tungabhadra river by means of high level and low level canals to the districts of Bellary, Anantapur, Cuddapah and Kurnool, and this specific provision is there, how can the Mysore Government now object to the construction of the High level canal?

Shri Hathi: It does not object to the construction of the canal; the question is about the sharing of the surplus water available between the two States. One says its share is so much and the other says, its share is so much. The objection is not to the construction of the canal.

Dr. Rama Rao: The Act itself provides that the Central Government should constitute a committee for this purpose. In view of the objections raised by the Mysore Government and in view of the delay, what steps are the Central Government taking to settle this issue quickly and promptly?

Shri Hathi: The Planning Commission is meeting the representative of these two States tomorrow.

Restrictions on Imports

*1322. **Sardar Akarpuri:** Will the Minister of **Commerce and Industry** be pleased to state:

(a) whether any safeguards are provided against the exploitation of consumers, in the matter of price and quality of goods, on which import restrctions and protection tariffs are imposed;

(b) if so, the nature of the steps-taken in this regard; and

(c) the names of the goods whose prices have gone up or their quality has deteriorated due to restriction on their imports?

The Minister of Commerce (Shri Karmarkar): (a) and (b). Yes, Sir. Special arrangements have been made in the Ministry to enquire speedily into the complaints received against industries which enjoy a sheltered market on account of tariff protection or import restrictions.

(c) Complaints have been received in respect of items like domestic regfrigerators, electric kitchen ranges, air conditioners, raw silk, caustic soda, sodium bi-carbonate, soda ash, transformers of larger size electric motors, house service meters, ball bearings and imported typewriters.

Sardar Iqbal Singh: May I know whether the Government is aware of the fact that the electric motors manufactured in India are not working satisfactorily and because of that the rural people are hit hard?

Shri Karmarkar: We are not aware of that complaint. We have only received reports that they are working satisfactorily.

Pandit D. N. Tiwary: The hon. Minister has enumerated the names of so many commodities about which complaints have been received regarding the increase of prices. May I know what the Government has done to check this?

Shri Karmarkar: I have got a three-page note on that. We have taken the best possible action in the matter. In the case of typewriters we have received complaints about high prices charged to consumers on imported typewriters but on enquiry we found that it was not so. If you will permit me, I will read the note.

Mr. Speaker: It may be laid on the Tabl e of the House.

Pandit D. N. Tiwary: I want to know about ball-bearings alone.

Shri Karmarkar: About ball-bearings, in May 1954, the Fan Makers' Association of India, Calcutta, made a complaint against the National Bearing Company Limited that the latter was charging high prices for the ball-bearings. The matter was investigated and we came to the conclusion that the prices charged by the National Bearing Company Limited were not unreasonable.

Shrimati Sucheta Kripalani: Before put the question, I would like to draw your attention to the fact that section (c) of this question has been changed in such a way that the significance of the question is altogether lost. If I am permitted, I would like to say that my question was put in this manner:

> "Whether the hon. Miniser is aware that no factory in Saurashtra is manufacturing stoves and therefore none was entitled for actual-users licence? It appear here in quite a different way.

Mr. Speaker: There is no difference

Shrimati Sucheta Kripalani: There is.

Mr. Speaker: Let us hear the answer.

Stove Burners

*1323. **Shrimati Sucheta Kripalani:** Will the Minister of **Commerce and Industry** be pleased to state

(a) the names of the firms to whom actual-users licences for the import of Stove Burners with their value were issued during the period from April to June, 1955;

(b) the basis on which the licence were issued; and

(c) whether it is a fact that there is no factory in Saurashtra for the manufacture of Stoves and that no actual-users licences have been granted to any one in this State?

The Minister of Commerce (Shri Karmarkar): (a) A statement is laid Table of the House. [*See* Appendix VII, annexure No. 42].

(b) On the basis of certificates issued by the Director of Industries of the State concerned certifying the essentiality of the requirement, consumption in previous two years and current annual requirement.

(c) The position regarding factories in Saurashtra for the manufac-ture of stoves is being ascertained from the Director of Indusries, Saurashtra. Actual users licences have been issued to six firms in Saurashtra.

Shrimati Sucheta Kripalani: Are these Saurashtra firms to whom actual-users licences have been issued actually manufacturing stoves?

Shri Karmarkar: A complaint has been made against them and the Special Police are enquiring into the matter.

Shri B. N. Misra: May I know whether it has come to the notice of the Government that in many cases where the actual-users licences are given for those who ar manufacturing a particular item, these people sell the licences to other people and do not use them themselves? May I know what action the Government is taking in this regard?

Shri Karmarkar : From time to time we have received complaints about the actual -users licences not being used by those to whom they are issued. In appropriate cases, an enquiry is made, as in the present one.

Cottage Industries

*1324. **Shri H. G. Vaishnav :** Will the Minister of **Production** be pleased to state :

(a) the total amount given to the Hyderabad State for the development of Cottage Industries during 1954-55;

(b) whether the whole amount has been spent by the State Government; and

(c) if so, on which industries?

The Parliamentary Secretary to the Minister of Production (Shri R. G. Dubey): (a) The total amount sanctioned for the development of Cottage Industries, excluding Khadi, in Hyderabad State during 1954-55 is as follows :

Grant Rs. 7,18,701; Loan Rs. 29,26,075; Total Rs. 36,44,776.

(b) A sum of Rs. 1, 84,445 only could not be utilized during that year. The State Governments have, however, been authorised to utilize this balance for the development of Handicrafts, Sericulture, Palm Gur, Gur and Khandsari industries during the current financial year.

(c) The amounts sanctioned during 1954-55 were utilized for the development of the following industries (i) Handloom; (ii) Bidri; (iii) Mat Weaving; (iv) Himroo; (v) Paithan (Gold Thread and Brocade); (vi) Wooden Toys.

Shri H. G. Vaishnav : May I know whether a cottage industuries exhibition was held in Hyderabad last year?

Shri R. G. Dubey : I have no knowledge whether the exhibition was actually held; but I understand that there was some allocation made for the cottage industries exhibition.

Shri H. G. Vaishnav : May I know whether any amount has been given by the State itself for the development of cottage industries?

Shri R. G. Dubey I could not follow the question.

Mr. Speaker : The question is whether the State Government gives any aid for the development of cottage industries in addition to what the Centre has done.

Shri R. G. Dubey : I do not think so, because I find that the State Governments could not utilise all the amount that was placed at their disposal for the year 1954-55. So I presume that they have not made any fresh contribution.

Shri H. G. Vaishnav : Was the State Government asked how much of the amount could not be utilised and why?

Shri R. G. Dubey : For the Hyderabad State, the total grant in the year 1954-55 was Rs. 2 lakhs and odd; but they could spend only 80 per cent of the amount.

Dr. Suresh Chandra : May I know whether only a very little amount has been sanctioned for the development of himroo and mashroo and if so, the reasons therefor?

Shri R. G. Dubey : The actual amount spent on the development of himroo is Rs. 24,000 whereas the amount sanctioned seems to be in the neighbourhood of Rs. 30,000. I think it is a fairly good proportion.

Dr. Suresh Chandra : May I know why the State Government did not ask for financial assistance during the current year?

Shri R. G. Dubey : They did submit some schemes for which grants were requested for. But, recently, the State Government have intimated to us that the grants are not necessary for the current year. Possibly, they have some balances with them from the previous year except for one item, that is, Rs, 350,000 for the expansion of sales depots.

Shri Raghavaiah : May I know whether the State Government have proposed to take some products manufactured in these Cottage industry boards?

Shri R. G. Dubey : I think do.

Pondicherry Assembly

*1326. **Shrimati Renu Chakravartty:** Will the **Prime Minister** be pleased to state :

(a) whether the French Rules will govern the newly elected Pondicherry Assembly; and

(b) if so, the main differences in its powers in comparison to those enjoyed by other State Assemblies in India?

The Deputy Minister of External Affairs (Shri Anil K. Chanda) : (a) Yes.

(b) The Pondicherry State Representative Assembly is essentially a consultative and advisory body of elected representatives of the people of the State which concerns itself mainly with the budget, accounts and other detailed aspects of the administration of the State. It has no legislative powers but can pass resolutions on various aspects of the State administration which will be binding on the Administration unless annulled by the Head of the State with the approval of the Government of India. The other State Assemblies in India have, on the other hand, powers of legislation in regard to matters falling within the jurisdiction of the States as distinct from the Central Government.

Shrimati Renu Chakravartty: In view of the fact that the rules regarding electoral rolls were changed from the time of the French rule, what was the reason for not giving sovereign rights and legislative powers to the Pondicherry Assembly?

Shri Anil K. Chanda: The reason is very simple. *De jure* transfer has not yet taken place and under article 2 of the Agreement, we cannot make any fundamental changes in the administration of the State.

Shrimati Renu Chakravartty: According to the Agreement of October, 1954 between the Government of India and France, there was only a safeguard to the French vested interests in Pondicherry which was valid till *de jure* transfer. Therefore, may we know why the Pondicherry Assembly has no right of taxation like any other sovereign Assembly?

Shri Anil K. Chanda: No; the hon' Member is not correctly informed. Article 2 of the agreement says:

> 'The municipal regime in the communes of the establishment and the regime relating to the Representative Assembly shall be maintained in the present form.'

Shri V. Muniswamy: May I know whether it is a fact that the selection of the Councillors for the French Government was not according to the French rules and if so, whether any representation has been made by the Leader of the Opposition in the Pondicherry Assembly?

Shri Anil K. Chanda: The hon. Member in this case also is incorrectly informed. If the Leader of the Opposition feels strong enough to work in the Council, he can do so by a process of voting in the House.

Shri H. N. Mukerjee: I understand that according to the *Reglement Interisure* (French rules), the Council is to be elected by secret ballot. I understand also that on this occasion, the election was by show of hands. I wish to know why the Pondicherry Assembly should have the worst of both worlds. They will neither have the good points of the French rules nor the good points of the Indian rules and would hang so to say, in mid air.

Shri Anil K. Chanda: They have already got the benefit of the civilised administration of this Government.

Shrimati Renu Chakravartty: From the answers given by the hon. Minister, does it mean that the Assembly which has been elected on the basis of adult franchise according to the rules that applied to the rest of the Assemblies will have only advirory capacity and nothing more than that and does it mean that there will have to be a fresh election after the *de jure*, transfer?

Shri Anil K. Chanda: Yes,** Sir. I should think that after the *de jure* transfer takes place, we shall have fresh elections.

Export of Ore

***1327. Shri Deogam:** Will the Minister of **Commerce and Industry** be pleased to state:

(a) whether it is a fact that a meeting of Shippers and Mine-Owners was held in the office of the Joint Chief Controller of Exports, Calcutta on the 21st July, 1955 in connection with the export of ore from Calcutta; and

(b) if so, the main points discussed at the meeting and the conclusions arrived at?

The Minister of Commerce (Shri Karmarkar): (a) Yes, Sir.

(b) The question of making the best use of limited transport availability and port facilities to maximise exports of iron and manganese ores was discussed. No final conclusions were arrived at. The views expressed at the meeting are being examined.

Shri Deogam: May I know whether the Railway was invited to the meeting?

Shri Karmarkar: I am not cognisant of the personnel who attended the meeting. If one hon. Member wants to know that I should like to have notice.

Shri Deogam: In view of the fact that short supply of wagons caused difficulties in the transhipment of ore, why is it that no Railway representative was called to the meeting?

**The answer was later corrected by the Deputy Minister of External Affairs (Shri Anil K. Chanda) *vide* Debate Part II dated the 7th September 1955 as follows:—

"I should think that after the *de jure* transfer takes place, the whole question will have to be considered in all its bearing"

Shri Karmarkar: I did not say that there was no Railway representative. I am still hoping there was.

Shri K. K. Basu: Hope is no answer.

कपास

*१३२८. **श्री राम शंकर लाल** : क्या वाणिज्य और उद्योग मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि सरकार चीन को तीस हजार कपास की गांठें भेजने का विचार करती है ; और

(ख) यदि हां, तो किन शर्तों पर ?

वाणिज्य मंत्री (श्री करमरकर) : (क) सरकार ने चीन को निर्यात करने के लिये रुई की ४०,००० गांठें मुक्त की हैं ।

(ख) इसके लायसेंस उन सभी श्रेणियों के निर्यातकों को दिये जायेंगे जो कपास के निर्यात लायसेंस लेते रहे हैं । इनमें से लायसेंस केवल उन्हीं को दिये जायेंगे जो मसर्स चाइना नेशनल इम्पोर्ट एण्ड एक्सपोर्ट कारपोरेशन पेकिंग से किये सौदे दिखा सकें । जो पहले प्रार्थना-पत्र देगा, उसे पहले लायसेंस दिया जायेगा । इस प्रकार दिये लाइसेंस के माल का लदान ३१ दिसम्बर, १९५५ तक किया जा सकेगा ।

Shri K. G. Deshmukh: May I know what is the stapple length of this cotton which is being exported?

Shri Karmarkar: I think part of it was 26/32 and part of it was less. I find, for instance, about 30,000 bales are 26/32.

Shri K. G. Deshmukh: May I know whether it is a fact that in the early cotton season agriculturists from the different parts of the country demanded this export while it was not granted, and it was granted in the later stage, which ultimately resulted in benefit to the cotton merchants and not to the agriculturists?

Shri Karmarkar: The question is two-fold: first as to why we did not export earlier. We have to wait sufficiently till we are able to satisfy ourselves about the quantum available for export. Secondly, this deal with China stood on a special basis and we arrived at the decision because other factors had to be taken into consideration, as the House knows. In fact, we are now surfeit in cotton.

Low-Income Group Housing Scheme

*1329. **Dr. Satyawadi:** Will the Minister of **Works, Housing and Supply** be pleased to state:

(a) the total amount allocated for the construction of houses under the Low-Income Group Housing Scheme in the First Five Year Plan; and

(b) the amount utilised so far?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): (a) A sum of Rs 23 crores has been earmarked for the construction of houses (including development of land. etc.) under the Low Income Group Housing Scheme in the First Five Year Plan.

(b) Out of the sum of Rs. 21·74 crores sanctioned so far the state governments have actually drawn upto now a sum of Rs. 3.35 crores for disbursement as loans to those eligible under the Scheme.

Shri N. B. Chowdhury: May I know whether Government expect that the entire amount will be spent during the Plan period?

Sardar Swaran Singh: That is our hope. It depends to a very large extent upon the activity that the State Governments show in this respect.

डा० सत्यवादी : क्या मैं जान सकता हूं कि पंजाब और पैप्सू के लिये कितनी रकम तजवीज़ की गई थी और कितनी उन्होंने काम में लाई ?

सरदार स्वर्ण सिंह : पंजाब के लिये तीन करोड़ और पैप्सू के लिये डेढ़ करोड़ सैंक्शन हुई है ।

श्री हेडा : किस साल में ?

सरदार स्वर्ण सिंह : इसी साल में ।

Shri K. K. Basu: May I know if one of the conditions for the grant of the loan is that the person applying for it should be the owner of a plot of land?

Sardar Swaran Singh: It may be one of the conditions for a person cannot build a house unless he owns a plot. Therefore, if that condition was there, I do not think it is unreasonable. Merely by advancing the loan the house will not come up unless there is some plot.

डा० सत्यवादी : आप ने फ़रमाया है कि पंजाब के लिये तीन करोड़ और पैप्सू

के लिये डेढ़ करोड़ की रक़म तजवीज़ की गई थी । मैं यह जानना चाहता हूं कि इस में से कितनी रक़म काम में लाई गई है ? दूसरी बात यह है कि क्या कोई ऐसी हिदायत दी गई हैं कि क़र्ज़ तक़सीम करने का जो मौजूदा प्रोसीड्यर है, उसको कुछ सादा और आसान कर दिया जाय, ताकि लोग आसानी से उसका फ़ायदा उठा सकें ?

सरदार स्वर्ण सिंह : अनरेबुल मेम्बर के द्वारा सवाल पूछने पर मैं ने फिर फ़िगर्ज़ को चैक किया है । पंजाब के लिये जो तीन करोड़ रुपया सैंक्शन हुआ है, इसमें से ९६ लाख रुपया उन्होंने ३ अगस्त तक ड्रा कर लिया है । पेप्सू के लिये दरअस्ल डेढ़ करोड़ नहीं बल्कि पंद्रह लाख रुपयें की रक़म सैंक्शन हुई है और इसमें से उन्होंने अभी तक कोई रकम ड्रा नहीं की है ।

Some hon. Members *rose*—

Mr. Speaker : Next question.

Shri N. Rachiah : 1330.

Shri Thimmaiah : 1341 may also be taken.

Shri Karmarkar : It also deals with the same problem.

Mr. Speaker : Yes.

Excise Duty on power-Looms

***1330. Shri N. Rachiah :** Will the Minister of **Commerce and Industry** be pleased to state :

(a) whether it is a fact that all the powerloom factories in Mysore State have closed down due to levy of excise duty on powerlooms for the last three months;

(b) whether any representations have been received by Government from the Powerlooms Factories Association, Mysore for the exemption from excise duty ; and

(c) if so, the decision taken in the matter. ?

The Minister of Commerce (Shri Karmarkar) : (a) Govt. have no reliable information.

b) Yes, Sir.

(c) Certain concession to the smallest class of Powerloom Factories have already been announced.

Excise Duty on Power-looms

***1341. Shri N. Rachiah :** Will the Minister of **Commerce and Industry** be pleased to state :

(a) whether it is a fact that the Governments of Mysore and Bombay have recommended the exemption of powerlooms from the levy of excise duty, as is in the case of Silk power-looms ; and

(b) if so, the decision taken by Government in the matter?

The Minister of Commerce (Shri Karmarkar) : (a) The Government of Mysore are the only State Government who have approached the Government of India with the request for exemption.

(b) Certain concessions to the smallest class of cotton powerloom factories have already been announced by Government.

Shri N. Rachiah : May I know if it is a fact that exemption is given up to 24 looms in the case of the luxurious art silk industry and if so, why the same concession cannot be given to this powerloom industry which is producing only ordinary cloth for the common man?

Shri Karmarkar : The matter was considered fully and it was considered proper not to subject the art silk mills of less than 24 power looms to the same incidence as the cotton power looms.

Shri N. Rachiah : Are Government aware that the levy of excise duty on the shift basis has hindered the powerloom industries? If so, will the Government extend the monthly basis levy which has been extended to the silk industry?

Shri Karmarkar : I should like to have notice about that.

Shri N. Rachiah : May I know whether the Government propose to raise the exemption limit to at least 15 looms just to revive the powerloom industry which has been facing a crisis in the State of Mysore?

Shri Karmarkar : This question is a general question affecting all the States where there are powerlooms. My friend can appreciate that we cannot take a particular attitude with regard to a particular State. This was a rather ticklish question. We received numerous representations and on a consideration o these representations we have arrived a the present incidence in which some exemptions have been made.

Shri Bogawat: May I know if there are several applications from weavers in Bombay State, and especially from Ahmednagar, for exemption so far as powerlooms are concerned?

Shri Karmarkar: All those who are entitled to exemption will get them.

Shri K. K. Basu: On what basis?

Shri Karmarkar: I am not aware of any particular applications pending with us.

Shri Thimmaiah: May I know the factors taken into consideration in fixing the limit of exemption at 24.

Shri Karmarkar: I thought my friend could easily appreciate the decision. Where there are very small units, they are likely to suffer more.

Shri Heda: May I know the proportion or the percentage of the powerlooms that are closed because they could not work economically?

Shri Karmarkar: We have not any informtion on the matter.

Export Advisory Council

*1331. **Shri Ramachandra Reddi:** Will the Minister of **Commerce and Industry** be pleased to lay a statement on the Table of the House showing:

(a) the number of meetings held by the Export Advisory Council in 1953-54 and 1954-55 so far;

(b) the nature of recommendations made by the council during this period; and

(c) how many of them have been implemented by Government?

The Minister of Commerce (Shri Karmarkar): (a) to (c). A statement is laid on the Table of the House. [*See* Appendix VII, annexure No. 43].

Shri Ramachandra Reddi: May I know the specific recommendations made with regard to the removal of licensing restrictions on exports and improvement in transport and shipping facilities?

Shri Karmarkar: Yes, Sir, there were discussions on various points. Now, the suggestions so far as the last meeting is concerned, are like this. Liberalisation of export lines, promotion of new lines of export, measures for expansion of export trade, reduction or obolition of export duties, transport and shipping facilities for export, simplification of licensing procedure and customs—these were the various subjects discussed and it would be difficult to give a detailed precis on all the discussion that took place.

Shri Ramachandra Reddi: I wanted the specific recommendations that have been made, but the hon. Minister has given only generalisations thereof. If they are not confidential, can the hon. Minister give the specific recommendations?

Shri Karmarkar: They are not at all confidential. In fact, our proceedings are open to the public, press, and my hon. friend will find a very good summary published in the Press during those days when the meeting was held.

Shri Ramachandra Reddi: With regard to part (c) of the question, it is stated that the suggestions made by the Council are given full and prompt consideration. My question was whether they have been implemented by the Government? Do the Government consider that implementation is synonymous with consideration?

Shri Karmarkar: Sometimes yes, Sir, if the matter is too simple.

Textile Production

*1333. **Shri D. C. Sharma:** Will the Minister of **Commerce and Industry** be pleased to state the target fixed for textile production under the Second Five Year Plan?

The Minister of Commerce (Shri Karmakar): No targets have as yet been fixed.

Shri D.C. Sharma: May I know if it is the intention of the Government to increase the *per capita* consumption of cloth in India in the Second Five Year Plan, and if so, what is the approximate figure they have in mind?

Shri Karmarkar: We have generally envisaged that the *per capita* consumption should rise to 18 yards per head.

Shri D. C. Sharma: Has the Government studied the recent statement which has been made by certain manufacturers that the *per capita* consumption of cloth in India could be raised to 21 yards without much difficulty? Has that proposition been considered by the Ministry?

Shri Karmarkar: My hon. friend presumably refers to reports that appeared in the press two days back, but I have no definite information in the matter. It is possible that some one has suggested 21 yards per head as the *per capita* consumption.

Shri D. C. Sharma: May I know if the Government has arrived at any tentative conclusions with regard to the allocation of cloth between the mills and the handloom industry?

Shri Karmarkar: Yes, Sir. That will be one of the principal dicisions to be taken regarding the allotment as between the mills and the handloom industry. One strong view held is that we should not give any more allotment to the mills, not much.

Shri Bogawat: May I know if there is any representation by the Khadi and Village Industries Board to have a target of 3,200 million yards and that no further allotment should tbe given to the mills in the Second Five Year Plan?

Shri Karmarkar: I am not sure of the precise terms in which the recommendation has been made. I should like to have notice. It is an important matter.

Shri Raghavaiah: In view of the fact that the experience of the first Five Year Plan has shown an increase of unemployment in the country, do Government propose, or do Government think that after the Second Five Year Plan they will be able to increase the purchasing capacity of the people.

Shri Karmarkar: The first half of the question relates to employment, and as such my hon. friend might address to it the Planning Commission. About the other half........

Mr. Speaker: He gives it as the reason for his second proposition.

Shri Karmarkar: I should not at all accept his reason, because the output of cloth has not resulted in unemployment.

Mill Oil

*1335. **Shri Jhulan Sinha:** Will the Minister of **Production** be pleased to state the steps taken or proposed to be taken with regard to the implementation of the recommendations of the All-India Khadi and Village Industries Board to levy a cess of Rs. 1/4/- per maund on oil produced by mills in India?

The Deputy Minister of Production (Shri Satish Chandra): The recommendation of the Board to levy a cess of Rs. 1/4/- per maund on oil produced by Mills in India and to utilize the funds thus obtained for developing, financing and subsidizing Ghani Oil Industry will be examined in the light of the recommendations of Expert Committee set up by the Government to carry out a general survey of the Oil Seeds Crushing Industry in the country.

Pending a final decision Government have as an interim measure sanctioned the grant of Production Subsidy of Rs. 2/8/- per maund of oil and financial assistance in the shape of loans to Ghanis organised through Co-operative Societies or recognised institutions.

Shri Jhulan Sinha: In view of the great disparity in the prices of *ghani* oil and mill oil do Government consider it expedient to take early steps for stabilising the price of *ghani* oil so as to make it available if not at a cheaper price at least at the same price as mill oil?

Shri Satish Chandra: It is with that object in view that this subsidy of Rs. 2-8-0 per maund of oil produced by *ghanis* has been sanctioned on the recommendation of the Khadi Board.

Amenities in Displaced Persons' Colonies

*1336. **Shri Radha Raman:** Will the Minister of **Rehabilitation** be pleased to state:

(a) whether it is a fact that the Government of India have approved the scheme of the Delhi State Government to spend rupees 50 lakhs for providing basic civic amenities to the people living in Displaced Presons' Colonies in Delhi; and

(b) if so the special features of this scheme?

The Minister of Rehabilitation (Shri Mehr Chand Khanna): (a) and (b). No such scheme has been received from the State Government. But a provision of Rs. 48·6 lakhs has been made during the year 1955-56 for providing civic amenities and undertaking development works.

Shri Radha Raman: The hon. Minister just now stated that a sum of about Rs. 48 lakhs has been set aside for developmental work. May I know which of the colonies will be taken up for the developmental work to be done with the aid of this money.

Shri Mehr Chand Khanna: A number of colonies will be covered in Delhi. I can mention some of them offhand. They are Sarai Rohilla, Reeds Lines, Malviyanagar, colonies on Najafgrah road, Tehar, Motinagar, Rameshnagar, Tilaknagar and Jhil Kharanjia.

Shri Radha Raman: May I know the amenities which will be included in this scheme?

Shri Mehr Chand Khanna: They can be divided broadly under three or four important heads such as water supply, electrification, underground sewage and other development works like roads, drainage etc.

Shri Radha Raman: May I know when this scheme is going to be put into operation? Are Government aware that some of these colonies which were established some five or six years ago are still suffering for want of these basic amenities?

Shri Mehr Chand Khanna: I am not prepared to accept the implication of the hon. Member's remark. But we are doing our best to bring these colonies on up to date lines and this scheme is already under implementation.

Industries in Displaced Persons' Townships

*1337. **Shri Gidwani:** Will the Minister of **Rehabilitation** be pleased to state:

(a) whether any changes have been made in the original decisions for giving financial assistance to industrialists for setting up industries in refugee townships or colonies;

(b) if so the nature thereof; and

(c) whether any industrialists have come forward to start industries in the various refugee townships or colonies?

The Minister of Rehabilitation (Shri Mehr Chand Khanna): (a) No.

(b) Does not arise.

(c) About 30 industrial schemes have already been finalised for various refugee townships and colonies.

Shri Gidwani: May I know in which of the refugee colonies these industries have been so far started?

Shri Mehr Chand Khanna: These colonies are situated both in the eastern region as well as in the western region. The colonies that we have accepted for purposes of installation of industries in the eastern region are: Habra-Baigach, Gayeshpur, Khosbas, Mohalla, Taherpur, Rishra, Dasnagar, Suryanagar, and Belighaghata. As regards the western region the number is 14; the names of the colonies are: Faridabad (Punjab), Sardarnagar (Bombay), Ulhasnagar (Bombay), Pimpri (Bombay), Malvianagar (Delhi), Kalkaji (Delhi, Premnagar (U.P.), Naini (U.P.), Hastinapur (U.P.), Rajpura (PEPSU), Bairagarh (Bhopal), Bantwa (Saurashtra), Adarshnagar (Jaipur) and Ajmer.

Shri Gidwani: My question was whether any industries have been so far started and if so the names of the colonies where they have been started?

Shri Mehr Chand Khanna: Some industries have been started in Faridabad and some industries in Rajpura. And some schemes have already been sanctioned for Bombay.

Shri Gidwani: What are those schemes which have been sanctioned for Bombay?

Shri Mehr Chand Khanna: Two schemes have very recently been sanctioned; one I think is of the waco Radios and the other is of Mohattas.

Shri Gidwani: In which colony?

Shri Mehr Chand Khanna: I think they are in Ulhasnagar.

Shri Sadhan Gupta: May I know whether any industries have been started in Habra-Baigach or in Gayeshpur? If not what industries will be started there and when? And how many persons are expected to secure employment in these industries?

Shri Mehr Chand Khanna: Very recently about eight schemes have been sanctioned. Habra-Baigach is included therein. And the direct employment potential will be anything between five thousand to six thousand persons. The amount involved so far as Government's share is concerned is about Rs. 1½ crores.

Sardar Iqbal Singh: May I know whether Government will consider the inclusion of townships or colonies from Punjab also under this scheme? So far no town has been included in this scheme from the Punjab. As there is a large sum of money available and quite a number of townships in the Punjab are having acute unemployment will Government consider the question of including townships from the Punjab also?

Shri Mehr Chand Khanna: Faridabad is in Punjab for the information of the hon. Member. But if the state Government sends a scheme for the inclusion of a township where there is acute unemployment and which has no economy of its own sends any scheme to the Government of India it will be duly considered.

चाय उद्योग

*१३४०. **श्री भक्त दर्शन** : क्या **वाणिज्य और उद्योग** मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या सरकार का ध्यान इस बात की ओर आकर्षित किया गया है कि पिछले कुछ वर्षों से देहरादून (उत्तर प्रदेश) के चाय उद्योग को घोर वित्तीय कठिनाइयां हो रही हैं ;

(ख) क्या इस सम्बन्ध में राज्य सरकार से या चाय उद्योग से कोई मैमोरेंडा प्राप्त हुये हैं ; और

(ग) यदि हां, तो वहां पर चाय उद्योग की दशा को सुधारने के लिये सरकार ने क्या उपाय किये हैं, या करने का विचार रखती है ?

वाणिज्य मंत्री (श्री करमरकर) : (क) और (ख). जी नहीं ।

(ग) प्रश्न उठता ही नहीं ।

श्री भक्त दर्शन : क्या गवर्नमेंट के ध्यान में यह बात आयी है कि पिछले कुछ वर्षों के अन्दर देहरादून के बहुत से चाय बगीचे बन्द हो गये हैं और यहां तक कि उनमें खेती होने लगी है, जिसकी वजह से सैकड़ों मजदूर बेकार हो गये हैं ?

श्री करमरकर : हमको इस बात का पता नहीं है, लेकिन हमें इस बात का पता है कि वहां चाय की पैदावार पर एक इकम होती है ।

श्री भक्त दर्शन : क्या गवर्नमेंट के ध्यान में यह बात आयी है कि देहरादून के चाय बगीचों में अभी तक केवल ग्रीन टी बना करती थी लेकिन अब हरी चाय आसाम के और दूसरे बगीचों में भी होने लगी है और इसलिये उसका मार्केट घटता जा रहा है ? क्या गवर्नमेंट इस पर विचार करेगी कि हरी चाय और दूसरी तरह की चाय के लिये अलग अलग क्षेत्र निर्धारित कर दिये जायें ताकि सब को बढ़ने का मौक़ा मिले ?

श्री करमरकर : यह तो बहुत बड़ा सावल है जी । अगर माननीय सदस्य देहरादून के बारे में कोई उपयुक्त सुझाव देंगे तो उस पर हम विचार करेंगे ।

Atomic Energy

*1342. **Shri D. C. Sharma**: Will the **Prime Minister** be pleased to refer to the reply given to Starred Question No. 1983 on the 11th April 1955 and state;

(a) the number of trainees sent abroad for training in Atomic energy; and

(b) the names of the countries to which they have been sent?

The Prime Minister and Minister of External Affairs (Shri Jawaharlal Nehru): (a) 18.

(b) Mainly U. K., U.S.A. and France.

Shri D. C. Sharma: May I know whether it is the intention of Government to send more trainees abroad and if so to what countries?

Shri Jawaharlal Nehru: They are being constantly sent abroad in small numbers wherever it is considered necessary. We have as I mentioned in the main sent them in the past to the United Kingdom and France and some to the USA, some to Norway, some to Sweden and some to Holland for brief courses of three months or six months or so. I cannot definitely say who will be sent, how many will be sent and where they will be sent to in the future.

Shri D. C. Sharma: It was reported in the press recently that in the matter of atomic energy experiments our country was ahead of other countries in some fields. May I know whether in those fields it is the intention of Government to get some trainees from other countries?

Shri Jawaharlal Nehru: To give training to others?

Mr. Speaker: Yes. Our country is ahead in training in some respects. Do we have an idea of entertaining trainees from other countries for being trained here?

Shri Jawaharlal Nehru: Yes. We definitely have that idea when we put up our reactor to afford opportunities to other countries naturally chiefly in Asia to have training there.

WRITTEN ANSWERS TO QUESTIONS

Imports of Rails

*1304. **Shri D. C. Sharma**: Will the Minister of **Commerce and Industry** be pleased to state:

(a) the quantity of rails imported for the use of Indian Railways during 1954-55; and

(b) the names of the countries from which these were imported?

The Minister of Commerce (Shri Karmarker): (a) and (b). 33,064 tons from Japan.

Zip Fastener Industry

*1305. **Shri Ibrahim**: Will the Minister of **Commerce and Industry** be pleased to state the Government's contribution towards the development of the zip fastener industry in India?

The Minister of Commerce (Shri Karmarkar): The Development of the Zip Fastener Industry is left to private enterprise. Such assistance as may be required by the industry in the matter of procurement of plant and machinery and raw materials either from indigenous sources or from foreign countries is given by the Government.

खादी और ग्रामोद्योग

*१३०८. **श्री भागवत झा आज़ाद** : क्या **उत्पादन** मंत्री यह बताने की कृपा करेंगे कि :

(क) खादी और ग्रामोद्योग बोर्ड की स्थापना से अब तक उसे सरकार द्वारा कितनी राशि अनुदान के रूप में दी गई है; और

(ख) ऋण और सहायक अनुदान के रूप में अलग-अलग कितनी राशि दी गई है ?

उत्पादन उप-मंत्री (श्री सतीश चन्द्र) : (क) तथा (ख). विवरण सभा पटल पर रख दिया गया है। **[देखिये परिशिष्ट ७, अनुबन्ध संख्या ४४]**

Trade with East African Countries

*1313. **Shri M. R. Krishna**: Will the Minister of **Commerce and Industry** be pleased to state the steps taken to develop trade relations with the East African Countries?

The Minister of Commerce (Shri Karmarkar): A statement is laid on the Table of the House. [*See* Appendix VII, annexure No. 45].

Coffee

*1314. **Shri M. Islamuddin**: Will the Minister of **Commerce and Industry** be pleased to state:

(a) the total area under coffee cultivation during 1954-55, (State-wise); and

(b) the steps that are being taken for the improvement of its quality and the expansion of the coffee industry?

The Minister of Commerce (Shri Karmarkar): (a) and (b). A statement is laid on the Table of the House. [*See* Appendix VII, annexure No. 46].

Development Councils for Heavy Chemicals

*1316. **Thakur Jugal Kishore Sinha**: Will the Minister of **Commerce and Industry** be pleased to state the steps taken by Government to implement the recommendations of the Development Councils for Heavy Chemicals (Acids and Fertilisers) and Heavy Chemicals (Alkalis)?

The Minister of Commerce (Shri Karmarkar): A statement is laid on the Table of the House. [*See* Appendix VII, annexure No. 47.]

Metal Industries

*1319. **Shri Balwant Sinha Mehta**: Will the Minister of **Commerce and Industry** be pleased to state:

(a) the steps taken for the setting up of the Non-ferrous metal Industries, *e.g.*, Zinc, Silver and Copper in the country;

(b) the period by which their spelting plants are likely to be established; and

(c) whether these will be established entirely in public sector or in private sector?

The Minister of Commerce (Shri Karmarkar): (a) Silver and copper (fire refined) are already being produced in the country. As regards Zinc, Zinc (Spelting) Committee was set up by the Government in 1951 under the Ministry of Natural Resources and Scientific Research to examine the question. The Committee has submitted its Report which is still under consideration of the Government.

(b) and (c). No information is possible in this regard at present.

Plant and Machinery Committee

*1321. **Shri N. M. Lingam** : Will the Minister of **Irrigation and Power** be pleased to state the steps taken by Government to implement the recommendations of the Plant and Machinery Committee for the setting up of a Central Directorate of Technical Manpower to guide the trained and experienced men from project to project?

The Deputy Minister of Irrigation and Power (Shri Hathi) : Though, in pursuance of this recommendation, a Central Directorate of Technical Manpower is not yet established, Government are obtaining details of surplus technical personnel from projects nearing completion like the D.V.C. and circulating them to other projects with a view to securing suitable alternative employment for these surplus personnel. The question of employment of trained and experienced technical personnel in the best interest of the country is one of the terms of reference of the River Valley Projects Technical Personnel Committee set up by Government in July 1955. Further action will be taken by Government in the light of recommendations of that Committee

Tea Price

*1325. **Shri K. P. Tripathi** : Will the Minister of **Commerce and Industry** be pleased to state :

(a) the average price of tea prevalent in different markets during the 1954-55 season and how it compares with the price that existed in the years 1952 and 1953 ; and

(b) the average dividend declared thereon?

The Minister of Commerce (Shri Karmarkar) : (a) A statement is laid on the Table of the House. [*See* Appendix VII, annexure No. 48.]

(b) Information is not available.

Calculating Machines

*1334. **Shri Ibrahim** : Will the Minister of **Commerce and Industry** be pleased to state :

(a) the number and value of calculating machines imported during the last three years ;

(b) whether such machines are also being manufactured in India ; and

(c) If so, the percentage that this bore to the total requirements of the country during the year 1954-55?

The Minister of Commerce (Shri Karmarkar) : (a) Precise information is not available.

(b) No, Sir.

(c) Does not arise.

British Industries Fair

*1338. **Shri M. Islamuddin** : Will the Minister of **Commerce and Industry** be pleased to state :

(a) whether India participated in the British Industries Fair this year.

(b) if so, the nature of goods and handicrafts that were exhibited in the Fair ; and

(c) if not, whether any observer was sent to this fair to review the world industrial development ?

The Minister of Commerce (Shri Karmarkar) : (a) No, Sir.

(b) Does not arise.

(c) No, Sir.

Bonus to Tea Workers

*1339. **Shri K.P. Tripathi** : Will the Minister of **Commerce and Industry** be pleased to state :

(a) whether there has been a demand from the workers of tea estates in North India for the grant of bonus out of the profits for the years 1953 and 1954; and

(b) if so, whether Government have advised the State Governments concerned to avoid or delay its consideration ?

The Minister of Commerce (Shri Karmarkar) : (a) There was a demand for bonus from tea workers in Upper Assam.

(b) No, Sir. No such action was called for.

Typewriters

*1343. **Shri Ibrahim** : Will the Minister of **Works, Housing and Supply** be pleased to state :

(a) the expenditure incurred during the last three years on the purchase of typewriters for supply to the offices of the Government of India, (year-wise); and

(b) the number of typewriters purchased from Indian manufacturers and foreign manufacturers respectively during the above period ?

The Minister of Works, Housing and Supply (Sardar Sawaran Singh :

(a)	1952-53 .	Rs. 22,08,901
	1953-54 .	Rs. 16,06,145
	1954-55 .	Rs. 26,90,340

(b) A statement is placed on the Table of the Lok Sabha. [*See* Appendix VII, annexure No. 49.]

Khadi

***1344. Shri Jhulan Sinha:** Will the Minister of **Information and Broadcasting** be pleased to state the steps, if any, taken by the Advertising Branch for popularising Khadi and Village Industry products during the year 1954-55 as also these proposed to be taken durling the current year ?

The Minister of Information and Broadcasting (Dr. Keskar) : During 1954-55 the Advertising Branch of Ministry of Information and Broadcasting utilised the medium of exhibitions to popularise Khadi and Village Industries products. Display in advertisements in newspapers and periodicals, posters, neon-signs, hoardings, cinema slides and bus panels were the media employed to advertise handloom fabrics, Indian handicrafts and the sericultural industry. Expenditure incurred on these campaigns amounted to Rs. 2·78 lakhs. Publicity was also undertaken through literature brought out by the Publications Division, documentary films and press releases.

A detailed statement is placed on the Table of the House. [*See* Appendix. VII, annexure No. 50.]

The campaign is being continued and expanded during 1955-56.

The Ministry organises exhibitions and also participates in exhibitions held in various parts of the country as part of Five Year Plan Publicity and in these exhibitions special exhibits relating to Khadi and Village Industries are displayed.

Border Incident

***1345. Shri M. Islamuddin :** Will the **Prime Minister** be pleased to refer to the reply given to tarred Question No. 837 on the 12th March, 1955 regarding the shooting of an Indian national by Pakistan police near Purnea (Bihar) border in November, 1953 and state :

(a) whether the Government of Pakistan have considered the report submitted to them by their representatives ;

(b) whether the reports of the representatives of India and Pakistan have been exchanged ; and

(c) if so, the final decision arrived at in the matter ?

The Parliamentary Secretary to the Minister of External Affairs (Shri Sadath Ali Khan: (a) to (c). The Government of Pakistan are still examining the report submitted to them by their representative. They have been requested to complete their examination early.

बिजली

६८०. **श्री रघुनाथ सिंह** : क्या **सिंचाई और विद्युत** मंत्री यह बताने की कृपा करेंगे कि भारत में १९५३-५४ और १९५४-५५ में अलग-अलग कुल कितनी बिजली पैदा की गई है ?

सिंचाई और विद्युत उपमंत्री (श्री हाथी) :

साल	बिजली का उत्पादन के० डब्ल० एच०
१९५३-५४ .	८,८५,२७,००,०००
१९५४-५५	९,९०,८७,००,०००

Evacuee Property

681. Shri D. C. Sharma : Will the Minister of **Rehabilitation** be pleased to state the total acreage of agricultural land and the number of rural and urban houses left by evacuees in Punjab, Pepsu and Himachal Pradesh ?

The Minister of Rehabilitation (Shri Mehr Chand Khanna) : The required information in respect of PEPSU and Himachal Pradesh States is as under :

Name of State	Total area of evacuee agricultural land	No. of rural houses	No. of urban houses
Pepsu.	4,37,195 standard acres.	1,00,265	41,337 (including shops).
Himachal Pradesh.	2,753 acres.	147	532

Figures in respect of the Punjab are being collected and will be placed on the Table of the Sabha.

Bee-Keeping Stations

682. **Shri D. C. Sharma:** Will the Minister of **Production** be pleased to state how many bee-keeping stations have so far beeen opened in Punjab by the All-India Khadi and Village Industries Board?

The Deputy Minister of Production (Shri Satish Chandra): None.

Singapore Legislature

683. **Shri D. C. Sharma:** Will the **Prime Minister** be pleased to state the number of Indians who are Members of the Singapore Legislature?

The Parliamentary Secretary to the Minister of External Affairs (Shri Sadath Ali Khan): Four.

Ship-Building

684. **Shri Ibrahim:** Will the Minister of **Production** be pleased to state the names of students and engineers deputed by Government to foreign countries during the last three years to specialise in ship-building?

The Deputy Minister of Production (Shri Satish Chandra): The following are the names of trainees sent abroad during the last three years for training in ship-building :—

Name	Scheme	Country	Year
1. Shri T. Raghuram	Colombo	U. K.	1953
2. Shri S. B. Kapadia	U. N. Economic Development fellowship Award	Netherlands	1954
3. Shri F. S. Rodgers	All these officers have been sent by the Hindustan Ship yard for training in the yards of the technical consultants.	France	1955
4. Shri B. K. Chakravarthy			
5. Shri Madhavrao Cannamalla			
6. Shri S. Majumdar			
7. Shri S. Sanivada			
8. Shri S. Dutt			
9. Shri A. V. Dandekar			
10. Shri B. Kawlra			
11. Shri N. V. Suryanarayana			

N.B.—Shri N. Mustaphi sent to the U.K. under the modified Overseas Scholarships Scheme 1949-50 is still studying abroad.

Paper Industry

685. **Shri Ibrahim:** Will the Minister of **Commerce and Industry** be pleased to state the amount of foreign capital invested in the paper industry in India (State-wise), during the last five years?

The Minister of Commerce (Shri Karmarkar): Precise information is not available. But during the period in question consent for the issue of shares to non-residents to the extent of Rs. 1,94,790 was granted to one paper mill in Orissa.

Cotton

686. **Shri Bibhuti Mishra:** Will the Minister of **Commerce and Industry** be pleased to state:

(a) whether it is a fact that the Sudanese Government afford special facilities to Indian cotton buyers and

(b) if so, the nature of the facilities given?

The Minister of Commerce (Shri Karmarkar): (a) No, Sir.

(b) Does not arise.

खादी

६८७. **सेठ गोविन्द दास :** क्या उत्पादन मंत्री यह बताने की कृपा करेंगे कि :

(क) जनवरी, १९५५ से जून, १९५५ तक कितने गज खादी का उत्पादन हुआ और उसका मूल्य कितना था ; और

(ख) १९५३, १९५४ और १९५५ में अब तक कितने मूल्य की खादी का उत्पादन हुआ ?

उत्पादन उपमंत्री (श्री सतीश चन्द्र): (क) तथा (ख) उत्पादन के आंकड़े और हिसाब आर्थिक वर्ष के अनुसार रखे जाते ह। चालू वष के आंकड़े प्राप्त नहीं हुये हैं और उनसे सम्बन्धित सूचना देना कठिन है । १९५३–५४ और १९५४–५५ में खादी के उत्पादन और मूल्य का विवरण निम्नलिखित है :—

आर्थिक वर्ष	उत्पादन	मूल्य
	(वर्ग गज)	रु०
१९५३–५४	१,१५,४५,१९९	२,११,२८,४२४
१९५४–५५	१,८१,३५,१३०	३,४८,१०,१११

मोटर गाड़ियां

६८८. सेठ गोविन्द दास: क्या वाणिज्य और उद्योग मंत्री यह बताने की कृपा करेंगे कि :

(क) जनवरी, १९५४ से जून, १९५५ तक भारत में कितनी मोटर गाड़ियों का निर्माण किया गया; और

(ख) उनमें से कितनी तेल से चलती हैं और कितनी पेट्रोल से ?

वाणिज्य मंत्री (श्री करमरकर) : (क) ९,५६० ।

(ख) देश में निर्मित होने के लिये जिन किस्मों की मोटर-कारें स्वीकृत हुई हैं, वे सब पेट्रोल से चलने वाली हैं।

Displaced Persons' Colonies

689. Chaudhri Muhammed Shaffee: Will the Minister of **Rehabilitation** be pleased to state:

(a) the number of houses destroyed or damaged by dust storms in Malviaya Nagar, Purana Qilla and other displaced persons' colonies in Delhi State since the 1st May, 1955; and

(b) the total loss suffered on account of these damages?

The Minister of Rehabilitation (Shri Mehr Chand Khanna): (a)

Houses destroyed ..	Nil.
Housed damaged ..	34 in Malaviya Nagar, 170 in Purana Qilla and 5 in Old Rajinder Nagar.

(b) Rs. 25,650/-

Malaya Federation Council

690. Shri Krishnacharya Joshi: Will the **Prime Minister** be pleased to state:

(a) whether it is a fact that Indians have been elected to the Malaya Federation Council in the recent elections; and

(b) if so, the total number of indians so elected?

The Prime Minister and Minister of External Affairs (Shri Jawaharlal Nehru): (a) Yes.

(b) One.

Compensation

691. Dr. Satyawadi: Will the Minister of **Rehabilitation** be pleased to lay on the Table of the House a statement showing the comperative figures of the amount fixed under the interim and final compensation schemes for the verified claims for the urban properties left by the displaced persons in West Pakistan?

The Minister of Rehabilitation (Shri Mehr Chand Khanna): A statement is laid on the Table of the Lok Sabha. [*See* Appendix VII, annexure No. 51.]

Visits to Holy Shrines

692. Shri D. C. Sharma: Will the **Prime Minister** be pleased to state the number of Muslims who came to India from Pakistan to visit the holy shrines during the year 1955 so far?

The Prime Minister and Minister of External Affairs (Shri Jawaharlla Nehru): Muslims from Pakistan visit holy shrines in India either as individual

pilgrims or as member of pilgrim parties, which come to India on special occasions. The number of persons who visited India as members of such pilgrim parties during the period from the 1st January to the 15th August, 1955, is 634. No record is kept of individual pilgrims.

Displaced Persons Tenements at Valivade

693. Shrimati Sucheta Kripalani: Will the Minister of **Rehabilitation** be pleased to state:

(a) the total number of (i) Single-Room '(ii) Double-Room tenements at the Gandhi Nagar Colony at Valivade Kohlapur;

(b) the number out of them occupied at present:

(c) the monthly rent charged by Government from the displacded persons;

(d) whether it is a fact that representations protesting against the exorbitant rent have been received by Government; and

(e) if so, the action, if any, taken so far in the matter?

The Minister of Rehabilitation (Shri Mehr Chand Khanna):(a) 510 Single-Room Tenements. 888 Double-Room Tenements.

(b) 480 Single-Room Tenements. 662 Double-Room Tenement.

(c) Rs.6/4/- per Single-Room Tenement. Rs. 11/8/- per Double-Room Tenement.

(d) and (e). Representations have been received and examined. The basis for the assessment of rent in Gandhi Nagar Colony is the same as in any other colony in the State of Bombay. As the rents have been levied according to a prescribed formula, which is considered reasonable, it has not been thought necessary to revise the rents.

Export of Birds

694. Shri Bishwa Nath Roy: Will the Minister of **Commerce and Industry** be pleased to state whether it is a fact that the export of Indian birds increased during 1954-55 as compared to the years 1952-53 and 1953-54?

The Minister of Commerce (Shri Karmarkar): Exports of birds in 1954-55 increased as compared with exports in 1953-54 but decreased as compared with exports in 1952-53.

Residential Accommodation

695. Shri D.C. Sharma: Will the Minister of **Works, Housing and Supply** be pleased to state:

(a) whether it is a fact that due to delay in the construction of quarters and their allotment to Government employees, a good deal of financial loss is incurred by way of payment of House Rent Allowance to and non-realisation of rent from the prospective allottees; and

(b) if so, the steps being taken for the expeditions completion of constructions already in hand and their early allotment?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): (a) There is no avoidable delay in completing construction of buildings taken in hand. The quarters which are completed are also allotted without delay. To the extent that there is still shortage of accommodation, the House Rent allowance continues to be paid.

(b) Every effect is being made to complete the buildings inclusive of all services as expeditiously as practicable.

Residential Accommodation

696. Shri D. C. Sharma: Will the Minister of **Works, Housing and Supply** be pleased to state:

(a) the number of out-of-turn allotments made yearly during 1954 and 1955 so far in different classes;

(b) the number of these allotments made (i) in the class of the applicants concerned; (ii) in the class next below that to which the applicants belonged; and (iii) in the lower classes; and

(c) the earliest priority date amongst the non-allottees of out-of-turn accommodation?

The Minister of works, Housing and Supply (Sardar Swaran Singh). (a) to (c). A statement giving the required information in respect of New Delhi is placed on the Table of the House. [*See* Appendix VII, annexure No. 52]

Regional Institutes

697. Sardar Iqbal Singh: Will the Minister of **Commerce and Industry** be pleased to state.

(a) whether the four Regional Institutes of Technology for small scale industries have been set up; and

(b) if so, the approximate expenditure to be incurred thereon annually ?

The Minister of Commerce (Shri Karmarkar): (a) Yes, Sir.

(b) The Capital expenditure on the four Institutes will be about Rs. 1·3 crores. The recurring expenditure in respect of the establishment in the four Institutes is estimated at Rs. 22 lakhs per year.

Loan to Housing Societies

698. **Shri A.K. Gopalan:**
Shri V.P. Nayar:

Will the Minister of **Works, Housing and Supply** be pleased to state:

(a) the amount of loan sanctioned to the Urban Housing Societies in Malabar District of Madras State up to the 30th June, 1955:

(b) whether there has been any progress in the housing position in the urban area of Malabar District; and

(c) if so, to what extent ?

The Minister of Works, Housing and Supply (Sardar Swaran Singh): (a) So far as loans under the Industrial Housing Scheme are concerned, no such society has applied for any aid under the Scheme. So far as loans under the Low Income Group Housing Scheme are concerned, it is understood that the Government of Madras are examining applications received from various Cooperative Housing Societies.

(b) No complaint regarding teh inadequacy of the housing position in the praticular area has been received from any quarter.

(c) Doesnot arise.

Tea Gardens

699. **Shri K.P. Tripathi:** Will the Minister of **Commerce and Industry** be pleased to state:

(a) the number of tea gardens sold in 1953-54 and the first half of 1955 and the selling price of each;

(b) the capital originally invested in each case;

(c) the total Sterling required for remitting the sale proceeds abroad; and

(d) the total pounds permitted to be sent.

The Minister of Commerce (Shri Karmarkar): (a) to (d). Precise information is not available.

Machine Tool Factories

700. **Shri Ram Shankar Lal:**
Shri S. V. Ramaswamy:

Will the Minister of **Commerce and Industry** be pleased to refer to the reply given by the Minister of Defence to Short Notice Question No. 7 on the 22nd August, 1955 and lay on the Table of the House a copy of the report of the Colombo Plan expert Mr. J. D. Scaife on the working of the Machine Tool Prototype Factory, Ambarnath and the Hindustan Machine Tool Factory, Jalahalli ?

The Minister of Commerce (Shri Karmarkar): Mr. Scaife's Report on the Ambernath and Jalahalli Machine Tool Factories appears on pages 75-82 of the Report of the Engineering Capacity Survey Committee. A copy of this Report, together with the comments of the Ministries of Defence and Production on Mr. Scaife's Report, is attached. [Placed in the liberary. *See* No. S-292/55.]

तिब्बत के साथ व्यापार

७०१. **श्री भक्त दर्शन** : क्या वाणिज्य तथा उद्योग मंत्री यह बताने की कृपा करेंगे कि :

(क) १९५४– और १९५५ के दौरान भारत और चीन के तिब्बती भाग में किन-किन वस्तुओं का आयात और निर्यात हुआ और कितनी मात्रा में ; और

(ख) गत वर्ष चीन और भारत के बीच हस्ताक्षरित मित्रता सन्धि का इस आयात और निर्यात पर किस हद तक प्रभाव पड़ा ।?

वाणिज्य मंत्री (श्री कारमारकर) : (क) एक विवरण साथ में नत्थी है । **[देखिये परिशिष्ट ७, अनुबन्ध संख्या ५३]**

(ख) सम्भवत: माननीय सवस्य २९ अप्रैल, १९५४ को भारत गण-राज्य और चीन के लोक गण-राज्य के मध्य हस्ताक्षरित हुये उस करार का उल्लेख कर रहे हैं, जो चीन के तिब्बत प्रदेश और भारत के बीच होने वाले व्यापार और आवागमन के सम्बन्ध में हुआ था। भारत और तिब्बत में १९५३–५४ की अपेक्षा १९५४–५५ के वर्ष में हुये कुल व्यापार में अच्छी वृद्धि हुई है।

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LOK SABHA DEBATES

(Part II—Proceedings other than Questions and Answers)

LOK SABHA

Thursday, 1st September, 1955

The Lok Sabha met at Eleven of the Clock.

[MR. SPEAKER *in the Chair.*]

QUESTIONS AND ANSWERS

(*See* Part I)

12 NOON

PAPERS LAID ON THE TABLE

REPORT OF TARIFF COMMISSION ON CONTINUANCE OF PROTECTION TO MACHINE SCREW INDUSTRY ETC.

The Minister of Commerce (Shri Karmarkar): I beg to lay on the Table a copy of each of the following papers, under sub-section (2) of section 16 of the Tariff Commission Act, 1951, namely:

(1) Report (1955) of the Tariff Commission on the continuance of protection to the Machine Screw Industry;

(2) Ministry of Commerce and Industry Resolution No. 18(1)-T.B./55, dated the 23rd August, 1955;

(3) Ministry of Commerce and Industry Notification No. 18(1)-T.B./55, dated the 23rd August, 1955; and

(4) Statement under proviso to section 16(2) of the Tariff Commission Act, 1951, explaining the reasons why the documents referred to at (1) to (3) above could not be laid within the prescribed period. [*Placed in Library. See* No. S-290/55.]

MESSAGE FROM RAJYA SABHA

Secretary: Sir, I have to report the following message received from the Secretary of Rajya Sabha:

> "In accordance with the provisions of rule 125 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I am directed to inform the Lok Sabha that the Rajya Sabha, at its sitting held on the 30th August 1955, agreed without any amendment to the Industrial Disputes (Appellate Tribunal) Amendment Bill, 1955, which was passed by the Lok Sabha at its sitting held on the 9th August 1955."

COMPANIES BILL—*contd.*

Clauses 208 to 250

Mr. Speaker: The House will now resume further consideration of clauses 208 to 250 of the Companies Bill. As the House is aware, 9 hours were allocated for the entire group comprising clauses 145 to 250. Already 41 minutes have been taken in excess on this group. If the House agrees, clauses 208 to 250 will be put to vote when the discussion on this is closed.

Pandit Thakur Das Bhargava (Gurgaon): Yesterday, I was submitting that the powers of the inspectors provided in this Bill were very large. At the same time, I submitted that some of the rules of the Evidence Act and principles of the Criminal Procedure Code had been practically abrogated, so far as the powers of these inspectors were concerned.

[Pandit Thakur Das Bhargava]

Under clauses 234 and 236, inspectors can be appointed. But we do not know what will be the qualifications of these inspectors. The words used are "competent persons as inspectors". What will be the nature of this competence, whether they will be just like ordinary inspectors of police or they will have special qualifications, is not known; the Bill is silent on that point. Moreover, I do not know what will be the check over these inspectors. Ordinarily, when inspectors or sub-inspectors are appointed, we have got certain checks provided by the Criminal Procedure Code. Their *zimnis* and their reports are sent to higher officers and they are scrutinised; objections are taken if they are not sent regularly, and all statements etc. are provided to be taken down by the sub-inspector or inspector in ordinary course of routine. After, they have done so, they are checked. Now, in the present provisions, I do not find any sort of check being provided so far as inspectors are concerned, which means that the inspectors will be law unto themselves and there will be no check and they will be exercising arbitrary powers. This is a very important point; the Government have taken too large powers to themselves and I am very doubtful if they will be able to see that these powers are exercised rightly. Now, the inspectors are provided with such large powers that they can make or mar any company. In the first instance, on the basis of their reports, persons will be prosecuted. On the basis of their reports winding up proceedings can be started; on the basis of their reports, even recoveries by way of damages etc. can be made. So far as the *modus operandi* is concerned, it appears that they have been armed with the power of examining any persons whom they are pleased to examine, and then they can examine on oath, whereas according to the ordinary course of criminal law obtaining in this country, such inspectors or investigators are not allowed to examine persons on oath. Then there is no exception so far as those persons are concerned, against whom all this investigation is directed. We know that article 20(3) of the Constitution provides that no person accused of any offence shall be compelled to be a witness against himself. This provision of the Constitution is liable to be violated because there is no restriction so far as the powers of these inspectors are concerned. The inspector can examine a person, against whom an inquiry is directed, on oath, and the latter cannot refuse to answer any question. Now, according to the principles of the Indian Evidence Act, we have got sections 129, 130, 132 and other sections in terms of which a person can say that he cannot be forced to answer any question, and if he is forced, under pressure to make certain statements and those statements cannot be proved against him. But we have got a provision in this group of clauses which goes contrary to the spirit of this section. With your permission, I will just read out what are the safeguards today provided to ordinary persons in this regard. In the first place, section 129 says:

> "No one shall be compelled to disclose to the court any confidential communication which has taken place between him and his legal professional adviser, unless he offers himself as a witness, in which case he may be compelled to disclose any such communications as may appear to the court necessary to be known in order to explain any evidence which he has given, but no others".

In this case, supposing an inspector is appointed to investigate the conduct of any managing agent, and he himself is put all these questions, he cannot refuse to reply, though, to a certain extent, the lawyers are saved under a particular provision, clause 250. But so far as the client is concerned—the accused person is concerned—he cannot take shelter under it. He will be forced to disclose all the communications that he made to his legal adviser, which is against public interest, and at the same time, against the principles of the Evidence Act. Similarly, section 130 says:

> "No witness who is not a party to a suit shall be compelled to produce his title-deeds to any property, or any document in virtue of which he holds any property as pledgee or mortgagee......"

Even this protection is taken away from him. What is worse is, this. Section 132 says:

> "A witness shall not be excused from answering any question as to any matter relevant to the matter in issue in any suit or in any civil or criminal proceeding, upon the ground that the answer to such question will criminate, or may tend directly or indirectly to criminate, such witness, or that it will expose, or tend directly or indirectly to expose, such witness to a penalty or forfeiture of any kind:
>
> Provided that no such answer, which a witness shall be compelled to give, shall subject him to any arrest or prosecution, or be proved against him in any criminal proceeding, except a prosecution for giving false evidence by such answer".

Now, it appears that this protection given to him is being taken away in the case of persons who are examined by the inspector or by the court, at his instance. In clause 239 of the Bill we find the following:

> "The person examined shall answer all such questions as the court may put or allow to be put to him but may at his own cost, employ a legal practitioner, who shall be at liberty to put to such person such questions as the court may deem just for the purpose of enabling him to explain or quality any answers given by him."

* * * *

> "Notes of any examination under sub-section (2) or (4) shall be taken down in writing and shall be read over to or by, and signed by, the person examined, and may thereafter be used in evidence against him".

So even the answers given by a person, against whom this inquiry should be made, shall be used against that person. You will be pleased to see that even so far as the powers are concerned, when an inspector is appointed, not only can he inquire into the affairs of a particular company of which the accused person is managing agent, but he can also inquire into the affairs of other companies belonging to other persons, as indicated in clause 238; the only thing is that the approval of the Central Government will be necessary in such a case. My humble submission is this. We know how these approvals are given, how these sanctions are given. We have got a similar provision in the Income-Tax Act, about sanction by Commissioners.

[SHRI BARMAN *in the Chair.*]

In the Income-tax Act we find that so far as this question of sanction is concerned, it is given as a matter of routine when any inquiry is undertaken. Here, I have not the least doubt that the approval of the Central Government will be given in almost all cases, because it will all practically be an *ex parte* affair; as soon as an inspector reports that for the purpose of inquiring into the affairs of a particular company, he wants to see the state of affairs of other connected companies, there would be nobody to say 'no'. The Central Government will readily give its approval. When that happens the Inspector will

[Pandit Thakur Das Bhargava]

be able to go into the affairs of the other companies also, with the result that we shall have a scene like the one which we had when the powers were exercised by the Inspectors in relation to investigation under the Income-tax Investigation Commission Act. We know that the provisions which were given there and which were similar to those which are given here were declared *ultra vires* by the Supreme Court.

It appears that the Inspector is given some special powers also. For instance, he can ask any person to produce books etc. and then answer any question which may be put to him by the Inspector. Supposing a person refuses to answer a question. It is not that that person will be proceeded against by the ordinary law of the land, the Penal Code. On the contrary, a new provision has been made. This Inspector will report to the court and before the court that man who refused to answer the question shall appear and there the court will examine the Inspector or other witnesses and the person against whom the case is there and then and there in an almost summary manner I should say—the court shall be able to punish him as if he had been guilty of contempt of court. My submission is that according to the provisions in the Criminal Procedure Code, sections 480, 481 and 482, unless the contempt of court is committed in the presence of the court itself the person cannot be held guilty. Here the crime or the offence will be committed before the Inspector and the Inspector will be the best witness. We have to visualise to ourselves the Inspector going before the court and saying that this man refused to answer questions and that man saying, 'No, I did not refuse to aswer the questions'. The Inspector shall be believed and that person will be in the hollow of the hand of the Inspector and ultimately he shall be condemned almost unheard. At the time when the questions are put to him there would be not many persons in attendance and it will be difficult for him to produce defence witnesses. This procedure is in direct conflict with the ordinary law of the land and it will prove very harsh so far as the person concerned against whose conduct the enquiry is made. As I submitted yesterday the report of the Sub-Inspector is given much more weight than is ordinarily given to the report of any Inspector. Even the opinion expressed by him will be regarded as relevant under clause 245 of this Bill which is contrary to the principles of the Evidence Act according to which opinion is irrelevant.

Then there is another provision, the like of which I have never seen in any other law, clause 249. It says:

> "Where in connection with an investigation under section 246, 247 or 248, it appears to the Central Government that there is difficulty in finding out the relevant facts about any shares (whether issued or to be issued), and that the difficulty is due wholly or mainly to the unwillingness of the persons concerned or any of them to assist the investigation as required by this Act, the Central Government may, by order, direct that the shares shall, until further order, be subject to the restrictions imposed by this section."

Then, what are the restrictions?

> "(a) any transfer of those shares shall be void;
>
> (b) where those shares are to be issued, they shall not be issued; and any issue thereof or any transfer of the right to be issued therewith, shall be void;
>
> (c) no voting rights shall be exercisable in respect of those shares;

> (d) no further share shall be issued in right of those shares or in pursuance of any offer made to the holder thereof;......"

Further, there is some other restriction. My submission is that this kind of restriction to bring pressure upon a person who is reluctant to assist the inspector is unheard of. I think, this is contrary to the fundamental rights also—section 19(f). I am an owner of certain shares. The Government says that I cannot sell these shares or shall not exercise any right in respect of those shares unless and until I become willing and offer to give some evidence or assistance to the inspector. It is a check which is unheard of. When such a person comes to the court he may be relieved of some of these restrictions. I think this kind of pressure should not have been allowed to be exercised by any court whatsoever. To me it appears that these powers are analogous to the powers given in the Income-tax Investigation Commission Act and has been held *ultra vires*. When I find that there is no sort of check provided over the Inspector and his report is given this weight, I feel that every managing agent will be in the hollow of the hands of the Inspector over whom there is no check. The Central Government would not be able to exercise any check which would be exercised by a Superintendent of Police or the higher officers of Police and these reports will be almost arbitrary, one-sided and *ex parte*. As a matter of fact no check or supervision is provided over this Inspector and I do not know how the Finance Ministry will be able to supervise the acts of this Inspector and get a report. Moreover, I do not find any provision in the Bill that the Inspector will be obliged to take down statements in the presence of the person against whom the enquiry is made or that the person against whom the enquiry is directed shall be able to produce witnesses before him. Even in a murder case there is a provision that the accused has right to produce defence witnesses in the course of the investigation. But, it appears that here, so far as the Inspector is concerned, he is given absolutely arbitrary powers to examine whomsoever he likes. There is no obligation placed upon him to hear them in the presence of the person against whom the enquiry is made nor is there any provision for the person against whom the enquiry is made to produce defence witnesses. This a star Chamber method, unheard of in any other enactment. If these powers are not used—as the Finance Minister said that he is using these powers as a scarecrow and he mentioned the story of the Kandian King and his two Ministers with the power of hanging one person each every year—it is all right. If the Inspectors are not appointed and even if appointed they will not be given these powers, then it may work to a certain extent. Otherwise, I am afraid that the remedy provided is worse than the disease and it shall so happen that there will be a state of dissatisfaction in the country and then these provisions will have to be taken off.

Mr. Chairman: I want to inform the House that already 41 minutes have been taken; that is, by yesterday, we had taken 41 minutes in excess of the time allotted. So, we have already exceeded by one hour. Hon. Members will economise the time.

Pandit Thakur Das Bhargava: May I respectfully bring to your notice that last evening when we were on this question, at the instance of Shri C. C. Shah, the Deputy-Speaker agreed that he will give more time to this.

Mr. Chairman: Already one hour has been taken.

Pandit Thakur Das Bhargava: After that, we submitted at that time that out of the 22 hours given to deal with winding up it etc. so much time will not be taken. Moreover, this is one of the most important questions for the purposes of the Bill.

Mr. Chairman: There are three more Members who are eager to speak. Please try to adjust amongst yourselves.

Shri Jhunjhunwala (Bhagalpur Central): I have moved an amendment. I want to speak.

Mr. Chairman: Then there are more than three Members.

Pandit Thakur Das Bhargava: I shall be brief. I will give up this question of Inspectors. I have not spoken sufficiently on this subject but I think I have spoken enough. But I wish to bring to the notice of Government that it leads to some kind of conflict with the ordinary law of the land and that is what I cannot think of with equanimity.

With your permission, I will touch upon one point more and that is clause 225. Shri Ramaswamy spoke about it and I want to support what he said. In regard to the Chartered Accountants Act, you will perhaps remember that in 1949 when that legislation was enacted some of the Members of this House made it a point to get all those persons included who, according to their view, were qualified to act as Chartered Accountants. Now, I understand that there are 29,000 companies in all and by the time the Second Five Year Plan is complete, we will have about 20,000 more, with a capital of about Rs. 600 crores. There are about 2,700 auditors and their hands are full. We know that the auditors at the same time charge very high fees and it is beyond the competence of ordinary companies to pay that amount of fees. It is absolutely necessary in the interests of the country as a whole that we should have more chartered accountants, and this can only be done if, as my friend Shri Ramaswamy suggested, the members of the Society of Incorporated Auditors and Accountants are allowed to act as Chartered Accountants. He proposes that after the word "outside" the words "and inside" might be added, and that an additional sub-clause (c) might be put in. This Society has got, I am informed, a large number of people who are absolutely qualified, and many of them are double graduates and lawyers. They can certainly do well for our purpose. I do not want that any unqualified persons should be taken, because on the honesty and ability of these auditors depend the future of the companies and the confidence that people have in the working of the companies. I am, therefore, desirous that so far as these persons are concerned, an examination may be held. In fact, Government has been charged with the duty of examining accountants of Part B States and laying standards for their qualifications, etc., under these clauses. In fact, a similar qualification may be prescribed and Government may be pleased to see that there are enough auditors available in the country. At present, it is almost a monopoly. Even at an earlier stage we fought for the inclusion of the 'B' class chartered accountants and then we got this innovation made. So far as these people are concerned, I am desirous that Government may make arrangements for allowing them to practise as chartered accountants and for that purpose Government may institute examinations. At present the examinations that are held produce very poor results. I am given to understand that 90 per cent. of these persons are failed by the examiners, which means that those people want to keep the monopoly to themselves. Therefore, I appeal that Government should consider this question in a fair manner so that very many people who are educated and qualified may be taken in and allowed to practise as Chartered Accountants.

Shri J. R. Mehta (Jodhpur): There are five amendments standing in my name, namely, Nos. 706, 716, 725, 727 and 731. I shall not unnecessarily take the time of the House by reading them out.

The Parliamentary Secretary to the Minister of Finance (Shri B. R. Bhagat): What are the amendment numbers?

Shri K. K. Basu (Diamond Harbour): Those can be found out from the names on the list. Already the time at our disposal is too short.

Shri J. R. Mehta: The numbers are 706, 716, 725, 727 and 731. In this Companies Bill which we are considering, we have introduced several provisions which are designed to enable the shareholders to play a more effective role than is possible under the present legislation and to intervene in certain circumstances if they feel that something is going wrong. For instance, clause 168 provides for the holding of an extraordinary meeting of a company on a requisition by a prescribed number of members. Clause 187 provides for the circulation of members' resolutions on a requisition by a given number of members. Then, there is clause 234 which vests in the members a more important power, namely, to move the Central Government to undertake an investigation into the affairs of the company, provided a certain number of them join in a requisition to that effect. Finally, we have clause 407, which empowers the shareholders to move the Central Government for the appointment of additional directors if such appointment is shown to be called for in the interests of the company or the shareholders. I submit that the picture is not complete until and unless we can place the shareholders in a position in which it might be possible for them to secure the appointment of an additional auditor by making a requisition to the Central Government in that behalf. I trust hon. Members will agree that for a correct appreciation of the affairs of a company, we depend—the Government as well as the shareholders depend—on the auditors, more than anybody else. At the same time, it will be agreed that, human nature being what it is, it is possible that the auditors might sometimes identify themselves too much with the management, with the result that they are unable to discharge their functions without prejudice or bias, and with due regard to the responsibilities which they owe to the shareholders. Wherever there is reason to believe that this is the case, it should be open, I submit, to the shareholders to approach the Central Government for the appointment of an additional auditor, and the Central Government should have the power to appoint such an auditor provided it is a joint approach or requisition by a prescribed number of shareholders. I dare say that the very possibility of such an appointment of an additional auditor will make a vital difference in the attitude of the company auditors in general and cast a healthy influence all round.

I may perhaps be told that there is already a provision in this Bill, clause 234, whereby it is open to a certain number of members to approach the Central Government for the appointment of an inspector to investigate the affairs of the company. My submission is that clause 234 covers a wider field and is obviously meant to meet extreme cases. It contemplates a probe into the entire administration of the company, far beyond the ambit of audit, pure and simple. Indeed, I would contend that the existence of clause 234 is rather an argument in favour of the amendment that I have proposed inasmuch as while we are prepared to go to the length of ordering a general probe into the entire affairs of the company, there is no reason why we should deny the shareholders the opportunity to avail themselves of a remedy which is less drastic, and the very existence of which is likely to obviate the application of the mere drastic remedy provided in clause 234.

Coming to my next amendment to clause 226—amendment No. 716—I do not think I need say much in support

[Shri J. R. Mehta]

of it. I believe the justification of it is self-evident. Clause 226 deals with the powers and duties of auditors and sub-clause (3) enumerates specifically certain matters which the auditors must, among many other things, deal in their report. They are bound to report on these items and I am suggesting that one more item be added to the list of items on which the auditors are bound to report. This item concerns the company's assets. I understand that so far as investments are concerned, it is not an uncommon practice that they are held in the name of a particular director or managing agent. The company passes a resolution that the investments, or particular investments, will be held in the name of such and such an individual, and that individual is required to pass an indemnity bond in favour of the company. After these formalities are fulfilled, it often becomes difficult to follow the fate of such investments. They can be used elsewhere by the persons concerned, at least for short periods, without anybody being the wiser for it. This illustrates the justification for sub-clause (i) of my amendment. Hon. Members can, I believe, easily conceive of similar illustrations to cover the provisions that I have suggested in sub-clauses (ii) and (iii).

Lastly, I should like to say a word about my amendments to clause 234, namely, amendments Nos. 725, 727 and 731. The purpose of the amendments is to liberalise the conditions which have to be fulfilled if a requisition on the part of the members to get the Central Government to institute an investigation into the affairs of the company is to be acceded to. As the clause stands at present, a requisition in this behalf in the case of a company having a share capital has to be signed by not less than two hundred members, or members having not less than one-tenth of the shares issued.

In the case of a company not having a share capital, the requisition has to be signed by not less than one-fifth of the members. I strongly feel that the present provision is too stringent. Where the shareholders are scattered all over the country or the share capital of the company is considerable, the difficulty involved in getting together 200 members or getting members representing not less than 1/10th of the share capital will be so great as to render this clause nugatory for all practical purposes. Hence the need for liberalising the provisions in these clauses. I do not think that even if this clause is liberalised, the task of the shareholders will be very easy, but it will be comparatively easier.

In this connection, I should like to make one observation which I consider relevant. I wish to point out that in case this amendment is acceptable to the hon. Finance Minister, it will be necessary to liberalise clauses 168, 187 and 407 which deal with the power of the shareholders to requisition an extraordinary meeting or to requisition for a circulation of members' resolutions or to require appointment of additional directors. In all these provisions we have to maintain a fair sense of proportion or balance or parity between the purpose to be achieved by the requisition and the number of shareholders who have to come together and make a joint approach to the Government if their request is to be accepted.

BUSINESS OF THE HOUSE

Shri A. K. Gopalan (Cannanore): Sir, I beg to make the following motion:

> "That the half-an-hour discussion on All India Council of Sports tabled by Shri V. P. Nayar and put as the last item of the business for today be postponed to a later date as Shri V. P. Nayar had to leave this place due to the illness of his wife."

He has tabled this motion......

COMPANIES BILL—*contd.*

Mr. Chairman: I am advised that no such motion is necessary to be passed by the House. When the hon. Member returns he can arrange with the Minister in-charge and have that discussion. It will not be taken up today.

Shri K. K. Basu: As the time is short, I will be as brief as possible. I have moved a number of amendments but I will try to restrict my speech to the audit and the method of keeping accounts. There is a provision under clause 208 which says that only summarised returns of the branch are required and that they are good enougn for the purpose of keeping the accounts at the head office. I have moved an amendment to add that this return must be under the signature of a competent officer of the branch office.

From our experience of economic life in West Bengal, we know very well that there are a large number of tea gardens in North Bengal; there are a number of mines in Burdwan and Asansol regions. The head offices are mainly in Calcutta. Often a certificate by the manager that such a lump amount has been spent is provided. He may say that Rs. 6,000 worth furniture was purchased and his certificate would be good enough for audit purposes. I have also moved several amendments in the clauses relating to audit to this effect. In certain cases a company auditor may not be in a position to go and audit the branches himself. But he will accept a statement of accounts audited by any other competent auditor who could have been appointed the auditor of the concern. Only such an audited accounts should be accepted by the auditor of the concern. Normally the books at the head office are supposed to be the books of the company and the auditor certifies that he has obtained a certificate from the manager or possibly the accountant or cashier of a branch who can only say that so much has been spent; that has been good enough.

You know from your experience that the main work of a tea garden is in the garden and not in the office which is 400 or 500 miles away from that place. Only a certificate from the manager without any limit of the amount is considered to be good enough. I have moved an amendment that these books also must be audited by a competent auditor if not the company auditor. I agree that senior auditors need not go and inspect all the branches. There may be an organisation having branches over the whole of India. In that case they may appoint local auditors. Suppose there is a company with its head office at Calcutta; it may have certain manufacturing industries either in U.P. or Bombay. They can get a competent auditor from that State to audit the books of the branch.

There is also a provision here in clause 227. The accounts of the branch office shall unless the company in general meeting decides otherwise be audited by a person qualified for appointment as auditor of the company. I want deletion of the words: "unless the company in general meeting decides otherwise." It may be argued that the shareholders are after all the owners of the company and if they want to behave in a particular way why should other people, especially Government or the law stand in the way. The majority of the shareholders have small holdings and do not at all take active interest in the affairs of the company. Therefore, I have asked for the deletion of that particular sub-clause.

I have also said that in the case where the branches have been audited by an independent auditor, that auditor must also be present in the general meeting. Naturally there are certain consequential amendments which, as the time is short, I do not want to go into in detail. If the Government accepts the principle there will be no difficulty of making the consequential amendments.

[Shri K. K. Basu]

There is another provision in the investigation part. The most important part of it is the right of employees to initiate investigation. We know that this is essential from our experience. Some of the Calcutta banks went into liquidation and then some of the employees gave certain figures to the public at large to show that they were not working properly. There was no provision at that time by which Government could enter into investigations. Under the present Bill we are making this provision so that Government may have the power to investigate. There are provisions that certain percentage of shareholders must apply and so on. I say that the employees also have a stake in the concern. Looking to the good of the community at large, the right should also be given to an employee to initiate investigation. There is a provision that certain money has to be deposited and the Government may have to be satisfied that there is a *prima facie* case for making this investigation. I have of course moved an amendment trying to scale down because ten per cent. or 200 shareholders are considered too high in the present state of affairs and I have tried to reduce it to five per cent. and 150. But this principle of employees initiating that process is necessary so that the Government may enquire if they are satisfied. I hope Government would accept the amendment in clause 236 which deals with the power of the Government to investigate. There are certain other provisions relating to special resolution, etc. but I am not going into them. The Government may also do so if in the opinion of the Central Government there are circumstances suggesting that the business of the company is being conducted with intent to defraud the creditors, or any other persons or otherwise for a fraudulent and unlawful purpose. Here we have moved an amendment which shows that if the Government is satisfied that the company is behaving in a way to defraud the just claims of the employees, then it should take action. We know from our experience in our own State that even the share of the provident fund of the employees could not be got back.

Because, when the management was in the hands of certain persons they squandered away the money. When the company went into liquidation the debenture holders and other persons got their money and it was considered that their claims only could be satisfied. As a result of that the poor employees who contributed their share to the provident fund could not get back their money from the company. There were other claims also regarding wages and other things, and in the winding up proceedings there are certain claims which are usually accepted like three months' pay and other things. But, what I say is that the employees should be given the right to go and ask the Government to investigate. They must satisfy the Government that if the company behaves in a particular way there is every likelihood of its claims not being fulfilled. Therefore, I have moved this amendment with a view to see that the employees are given the right to initiate investigation if the Government is satisfied that there is a *prima facie* case. I urge upon the Government to accept this amendment, and also the amendment which I have moved regarding the audit and accounts of the branches which is absolutely necessary. Today we know that the head office is situated 300 or 400 miles away and it does not know the entire activity of the company carried on in certain parts of India.

Then there are other provisions regarding the power of the Government in modifying the forms in which the balance-sheet is to be drawn and the forms in which certain statements are to be made. There I have moved an amendment to see that the Government, in every case of modification—I am willing to concede that there may be occasions and there may be cases where such modification is necessary—record in writing the reasons for such modification. Every time the Finance Minister or the Secretary may not authorise such modifications; it may be the registrar who does it. If that particular officer has acted in a way which two years hence may be considered as not correct, at that time the officer who may be asked to judge the affairs will not know what was the mind of the officer who determined or allowed the modification of a particular form. These are some minor amendments which I hope the Government will accept. By this amendment I only ask that the Government should record in writing the reasons when they determine any modification of a particular form.

I, particularly, urge upon the Government—and I hope all the Members will agree with me—to accept my amendment regarding the audit of the branch offices and giving power to the employees to initiate investigation if the Government is so satisfied. I hope that these amendments will be accepted by the House.

Shri Jhunjhunwala (Bhagalpur Central): I have moved an amendment to clause 233, but before I deal with it I shall refer to clause 216 which is regarding sending of balance-sheet and other documents. In this connection I had brought to the notice of the hon. Minister that there is some lacuna because in this provision regarding sending of copies no mention has been made as to how these will be sent. These might be sent by ordinary post and, as I have said, I have received several complaints that these are deliberately withheld by some companies.

Then I want to say something regarding the amendment which has been moved by my hon. friend Shri N. P. Nathwani to clause 223. Sir, just now we have had a very long debate regarding the other clauses which have been provided in order to catch hold of the managing agents, and their mistakes by appointment of inspectors and others. How very hard it is to the managing agents to give such wide powers to the inspectors who will be appointed? They will have such powers that, my hon. friend Pandit Thakur Das Bhargava has ably pointed out that this is unconstitutional and in certain cases it is illegal. The Government has agreed to these powers being provided, but I do not understand why the most salutary amendment which has been moved by my hon. friend Shri N. P. Nathwani has not been accepted. I understand that this was moved in the Joint Committee also but it was not accepted there. The only provision there is that, if members who have got one-tenth voting power bring it to the notice of the Government that such and such a company is being mismanaged and the auditors are responsible for it, in that case the Government will have the power to appoint another auditor in supersession of the auditor who has been appointed by the managing agents. Sir, my point is this. So much power has been taken by the Government with regard to the appointment of inspectors which can create havoc. There will be a lot of corruption simply because the people will be afraid of these inspectors and they might utilise their power to their own benefits. As has been pointed out by my hon. friend Pandit Thakur Das Bhargava, the Finance Minister has given a sort of implied assurance that these powers will not be used but then the objective has to be attained. My submission before the House is that the Government should not put in such things in the statute-book which they do not want to give effect to; otherwise, the result is that it creates a bad impression in the mind of the public that the Government simply take powers and when they do not exercise those powers to gain the objective the impression will be that they are favouring a particular class of persons. Thereby the Government is blamed. If they do not want to utilise those powers why should they put in such stringent clauses? On the other hand such a salutary amendment as the one moved by my hon. friend Shri N. P. Nathwani saying that if

[Shri Jhunjhunwala]

10 per cent. of the members approach the Government pointing out that the business of a particular company is not being properly audited the Government will have the right—after all it is in the hands of the Government and they will examine the position before taking action—to appoint an auditor in supersession of the auditor appointed by the managing agent, is not being accepted. This will be more effective than the appointment of inspectors which has been contemplated in so many clauses and so many loopholes of which have been pointed out by my hon. friend Pandit Thakur Das Bhargava.

Now, I come to my amendment which I have moved to clause 233 dealing with power of registrar to call for explanation. Here, I specially wish to bring it to the notice of the hon. Minister—Shri M. C. Shah—that the power given to the registrar is to call for explanation if he finds anything necessary on the balance-sheet submitted to him. This gives him a loophole to sit quiet and do nothing. Subsequently by the same section power has been given to the registrar under sub-clause (7) in the following terms:

> "If it is represented to the registrar on materials placed before him by any contributory or creditor that the business of a company is being carried on in fraud of its creditors or of persons dealing with the company or otherwise for a fraudulent or unlawful purpose, he may, after giving...... etc. etc.".

Here, if the members or the creditors—and there is a Government amendment "creditors or anybody interested in the company"—apply to the registrar and place certain facts before him that the business of a company is being carried on in defraud of the creditors or the members, or not in the interests of the members or creditors he will call for explanation. What I feel is that they will have to give such facts which will prove fraud. It is very difficult to prove fraud and as such my amendment is that the following should also be added:

> "or to manage in a way so as to be oppressive to any class of shareholders".

It has been the policy of the Government as will appear from so many subsequent clauses that they want to give power to the ten per cent. of shareholders to the effect that if there is an oppression to the minority shareholders they can go to the court direct or they can approach the Government and point out to them that the business is carried on to the detriment of the minority shareholders. Just as I have pointed out before, I would point out even now that there is no method whereby the shareholders can go into the question of what is happening in the company. One provision which has been given here empowers the Registrar to call for explanation on representation made by shareholders. If the words which I have quoted are also inserted in that sub-clause, the Registrar will also be entitled, will be empowered, to ask for such explanation wherein the managing agents have been mismanaging the company in such a way as to be oppressive to the minority shareholders. Here, there is no question of any fraud or anything like that. The only thing is that the management is being carried on so negligently or with such gross negligence that it is an oppression to the minority shareholders. As such, I would submit and I would tell the hon. Minister of Revenue and Civil Expenditure, Shri M. C. Shah, that if such a power is given, then, there will be no statutory bar to the Registrar, because, he always points out and says, "well, here is a statutory bar; how can I go into these facts?" As such I would submit that these words should be inserted in sub-clause (7).

Shri N. P. Nathwani (Sorath): I rise to speak on amendment No. 220 which stands in the joint name of myself and my friend Shri Morarka: It seeks to empower the Government to appoint a duly qualified person as auditor of the company in the place of the one appointed by the company. The Bhabha Committee found the provisions in the existing Act relating to the auditors as least satisfactory and the Committee recommended a number of suggestions which have been embodied in this Bill. For instance in clause 223, the right of re-appointment is being given to the auditors. Again, their tenure of service cannot be terminated before the expiry of their term unless the previous approval of the Government is obtained. They have also been conferred a right of representation if a resolution is to be moved, appointing someone else in their place. Again, they have been given a right to attend the meetings. These are of course, valuable measures, but, in my opinion, these are not adequate, because they will not secure to that extent the independence of the auditors which is expected of them. The auditors are to act as the watchdogs of the shareholders In the initial stage their appointment is to be made by the board of directors or by managing agents whose nominees the board of directors are. In these circumstances, they would be labouring under a sense of obligation to the board of directors who have got a controlling interest and therefore they will not be able to perform their work as independently and as impartially as they could do otherwise. That is why we have sought to empower the Government to appoint an additional auditor in substitution of the one appointed by the company. It would considerably strengthen the hands of an auditor and would rehabilitate his position with the management.

Now, the objection is this. The Bhabha Committee also considered this proposal of authorising the Government to appoint an additional auditor. They appreciated this position also, but they dismissed the suggestion on this ground—they say at page 127 of their report thus:

> "The truth is that there is objection in principle to any proposal which directly or indirectly undermines the fundamental position of auditors as agents of the company".

In other words, the Bhabha Committee thought that this would interfere with the freedom of contract of the company. It is the right of the company to choose its officers and auditors who are their agents must be subordinate to them and should not be put in a position where they can defy the authority of the company. This was the objection.

But I humbly submit that there is no substance now in this view because in the Bill we have travelled very far in the direction of restricting the power of the company to choose its agents and officers. You know that under clause 323 the right of the company to choose its managing agents or to appoint its managing agents is subject to the previous approval of the Central Government. The company has not got the absolute right to choose its agents. Then, when we come to clause 403, we find that power has been given to the court to terminate or modify or alter the agreements between the company on the one hand and the managing agents, secretaries and treasurers and managers on the other. So, that inviolable right of the company to choose its own officers or agents is no longer there. But in clauses 407 and 408, we have gone a step further. Clause 407 empowers the Government to appoint two additional directors on the board of directors, and clause 408 prevents any change taking place in the constitution of the board. Now, you know that directors are not merely in the position of agents. Their position is very much higher. You know that the board of directors is a primary organ of the company. Between them and the members of the company in the general meeting, they share all

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the rights and powers of the company. Therefore, there is no substance in the argument that if we allow the Government to intervene and to appoint an auditor in the place of the one appointed by the company we would be interfering with the right of the company to select its officers. This was the objection raised by the Bhabha Committee, but I submit that in view of the far-reaching changes which we have embodied in this Bill, there is no substance in this argument.

Then, I have heard the other argument about the Government not being empowered to appoint an auditor. It is this. There is the Institute of Chartered Accountants. They are the proper persons to take action in case there is a lapse on the part of the auditor from the professional standard. I can understand that they will take action and they should take action, but there is no reason why, if an auditor is unjustly removed, the Government should not restore him to his position. Again, if he is not doing his duty faithfully, why should he not be discharged at the instance of the Government if certain conditions are fulfilled? To suggest that all deliquencies indulged in by the auditors should be dealt with by the Institute does not hold good. For instance, in clause 232 of this very Bill, we have provided for punishment of the delinquent auditors if they do not carry out certain conditions. Therefore, to take power merely to appoint an auditor in place of the one appointed by the company is not something which runs counter to the provisions of this Bill.

There is a very large volume of opinion in the country which favours this proposal. In support of my contention, I will only read out a passage from the memorandum which was submitted by the Bombay Stock Exchange to the Bhabha Committee. It summaries the whole position very briefly in a short passage. It says:

> "Auditors are the watch-dogs of the shareholders. They must bring to the notice of the general body any fact which requires special attention and any irregularity or error committed by the management in administering the affairs of the company. Unfortunately, in not a few cases, the auditors fail in their duty to the shareholders by certifying accounts and balance-sheets without proper examination and qualifications.
>
> The partiality of the auditors to the management can be understood from the fact that their payment is largely dependent upon the managing agents and the Board of Directors. As a result, there is a great deal of latitude in the presentation of the final accounts and such connivance is hardly to the interests of the shareholders."

1 P.M.

Again, they say:

> "It is difficult for the shareholders to appoint their own nominees as auditor. The concentration of voting power and the expense, labour and difficulty involved in organising widely scattered voting power effectively prevent shareholders from expressing themselves on an appointment of key importance."

Then, the Stock Exchange has suggested that the Government shall have the power to appoint an auditor in addition to the one appointed by the company. My amendment is of a restricted nature. It merely says that in suitable cases, Government shall have the power to appoint one auditor in addition to or in supersession of the one appointed by the company.

This is all I have to say and I would request the hon. Minister of Finance to consider this proposal and to accept my amendment, if possible.

Shri C. C. Shah (Gohilwad-Sorath): Mr. Chairman, I will try to be very brief. There are two clauses in the group which we are now considering which are new; that is to say, which do not exist in the existing law of the country. One is that the balance-sheets of private companies have to be filed with the Registrar and the second is that the accounts of private companies have to be audited by qualified auditors. Both these provisions have been opposed partly on the ground—it is an erroneous view in my opinion—that the public have nothing to do with the private companies or they have no concern with private companies and partly on the ground that it will be somewhat expensive for the private companies to have their accounts audited by qualified auditors. How erroneous both these propositions are, I will briefly show. Since I have not much time at my disposal, I will not go into what the Cohen Committee or the Bhabha Committee have said; I will only confine myself to what the Central Board of Revenue have said about private companies, as they ought to know about private companies much better than anybody else in this country. In their memorandum to the Bhabha Committee, the Central Board of Revenue said:

> "There is no reason why a private company should, while enjoying all the advantages which incorporation as an artificial person gives, be absolved from the restrictions and limitations applicable to a public limited company. In our opinion, a more stringent control of private companies is necessary as frauds on the unsuspecting public as well as on the revenue are perpetrated more easily by private companies."

This is the opinion of the Central Board of Revenue, not my opinion. I will only quote one more person, the Registrar of Companies at Bombay, the gentleman whom I quoted previously once; and who knows about private companies more than anybody else does. This is what he says:

> "I fully agree with the proposals for extending certain provisions at present applicable only to public companies to private companies as well. The great attraction in forming private limited companies is that the balance-sheets and accounts need not be filed with the Registrar. About 90 per cent. of the companies at present being floated in Bombay are private companies and many of them do not dare to face the light. Some people seem to think that starting a private limited company is the easiest modern way of making money and safer than black-marketing. Why should they be given the benefit of secrecy of concealing their own affairs? The privileges granted to private companies have been so grossly abused that the sooner such privileges are withdrawn, the better for the people who are being systematically deprived of their money by such private companies."

I will not quote the Cohen Committee and the Bhabha Committee, both of whom have supported the proposals which are now embodied in this Bill; and yet, the representatives of industries have opposed both these proposals very strongly. I wish to make only one submission. The proposition that the public is not concerned with private companies is on the face of it so erroneous that I am surprised that anybody should dare to advance it, because private companies are formed to deal with the public and to trade with the public; they enter into transactions worth lakhs and crores of rupees and yet, to say that the private companies have nothing to do with the public is to my mind not correct. The Cohen Committee has advanced further arguments why the balance-sheets of private companies should be filed. When employees make demands for bonus, wage structure, dearness allowance and so on, all that would depend upon the state of affairs of the company; but they refuse to dis-

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close their accounts or balance-sheets. Under the present provision of law, balance-sheets may be secretly handed over to the tribunal, but the tribunal will not disclose it to the representatives of the employees; the tribunal may make such use of it as it likes. This is a very unsatisfactory state of affairs. Therefore, I cannot see why the representatives of industries or business should resist the demand that the balance-sheets should be filed for registration. Not only that. Most of the Managing Agencies are private companies. We do not know the statistics regarding managing agencies, the remuneration which they earn, the profits they make and the manner in which they distribute their remuneration. We are without any knowledge about the manner in which they distribute their profits or even the amount of profits they make. If the balance-sheets of these private limited companies are filed, we can know the state of affairs of those companies.

There is one thing more which I want to say. The affairs of private companies affect not only the public but also the shareholders. The present position is so uncertain and so unsatisfactory that the oppression of minority is greater in private companies than in public companies. Under the existing law, a shareholder of a private company has not got the right to have a free copy of the balance-sheet or accounts of the company; he must pay for it and even then, the management may refuse to give it. Even the shareholder finds it difficult to approach the management and try to find out the affairs of the company. I submit that this is a very unsatisfactry position.

Regarding the audit of accounts, I do not see why anybody should resist against the accounts of private companies being audited by a qualified auditor. Do they really want that anybody whom they call an auditor should audit the accounts, so that they may not be exposed? I need not labour on that point much further. But in my opinion the privileges which still remain for the private companies are so large and so great that I will only mention some of them. I have got here a whole list of about 100 clauses from the operation of which the private companies are exempted. You will see how important those clauses are. For example, there is clause 266 which says that certain persons cannot be appointed as managing directors of public limited companies, namely, a man who is an undischarged insolvent or who has suspended payment to his creditors or who has been convicted by a court of an offence involving moral turpitude. Exemption from this clause would mean that a private company can appoint as managing director a person who is an undischarged insolvent, or who has suspended payment to his creditors or who has been convicted by a court of an offence involving moral turpitude. That is the extent to which we protect these private companies. We say that only the balance-sheets need be filed; not even the accounts, although the Cohen Committee said that both the balance-sheets and accounts must be filed.

Shri Tulsidas (Mehsana West): That is not correct; the Cohen Committee did not say that. It is entirely different.

Shri C. C. Shah: Apart from the exempt private companies, which is the pet hobby of my hon. friend—I would have dealt with it, but I have not the time at my disposal—......

Shri Tulsidas: I have been repeatedly saying, "create exempt private companies, as in England."

Shri C. C. Shah: The hon. Minister tells me that he would deal with it in his reply and I will not take up the time of the House on it. It is not only that in private companies, directors need not retire by rotation, but the directors need not even be appointed at a general meeting.

In a private company, the articles may provide for a method of election of directors which is quite contrary to the method of election or retirement by rotation which we have provided. In a private company, you can give loans to your friends and relatives.

Shri Tulsidas: I would like to explain to the hon. Member one thing. He seems to labour on this question. I said yesterday that if it is not possible to exempt all the private companies, just as it is in England, you must create a separate category of private companies, that is exempted private companies. In spite of all these arguments, the Cohen Committee has recommended on that basis. They have given these privileges to exempted private companies. They have weighed both the sides.

Shri C. C. Shah: This matter was fully considered by the Bhabha Committee and by the Joint Committee. My hon. friend urged all his arguments in support of this contention that we should create a class of exempted companies and the Joint Committee, for reasons which I need not go into now, rejected that proposal. That argument does not survive now. He has advanced a proposition that is so untenable. If he wants, he can labour on that point that public has nothing to do with private companies. That is the only proposition which I am controverting. If he still wants to argue, I cannot stop him.

Mr. Chairman: Views may differ.

Shri C. C. Shah: But for the interruption, I would have been very brief.

There is another thing which I wish to point out. A private company can pay any remuneration to its directors, or managers or managing directors. The minority of shareholders can do nothing in the matter. A private company can take away 50 per cent. of the profits by way of remuneration. In fact, mostly private companies are formed for distributing the income as they like more than an individual can do, in order to avoid taxation. If the law permits that and that is legitimate, I cannot dispute that. Private companies are given such large exemptions. When one minor thing is required that the balance-sheet may be filed with the Registrar and their accounts may be audited by a qualified auditor, to quarrel even with that is to go to the extreme, which I cannot understand.

My hon. friend Shri N. P. Nathwani advanced able arguments in support of his amendment to give power to Government to appoint an auditor. I do request the hon. Minister to consider it. My hon. friend Shri Jasvantray Mehta also has supported it, as also Shri Jhunjhunwala. I have only to say this. So far as the auditor is concerned, he occupies a most important position in the management of a company. In fact, as they say, he occupies the key position. He is the watch-dog of the interests of the shareholders. He is the person who has an opportunity of going into the minutest details of the transactions of the company. No shareholder, no director even, can have an opportunity of going into the transactions of a company as the auditor has. It becomes the duty of the auditor to point out all irregularities. His position is analogous to a certain extent to the position of the Auditor-General of India. In our Constitution, we have deliberately provided that the Auditor-General shall not be under the control of the Cabinet or the Executive, but shall be under the President. The reason is obvious. In order to ensure the integrity and independence of the Auditor-General, in order that he may freely say what he finds out from his investigations, we have given him that position. So far as companies are concerned, it is very difficult if not impossible for the shareholders to have their nominee as auditor. The auditor is ensured his re-appointment. The auditor has to be given an opportunity to show cause if he is to be removed, once he is appointed. I do not want to say anything which would even remotely suggest that I cast any aspersion on auditors. They are doing their duty

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well and most of them, honourably. What I mean is, he is placed in a position where his appointment depends on the management or the control which they have. Naturally, there is a degree of latitude which he will exercise. He would remain, what I would call, within the letter of the law. But, there is something more which he could do if he is so minded, which if he did not do, it would neither be a breach of the Act, nor a professional misconduct. The Chartered Accountants Institute will deal with the matter if it is professional misconduct. The Act will deal with the matter if it is a violation of the letter of the law. But, there is something which an auditor can do, which, if it is not done, neither the Act nor the Institute can do anything. In these circumstances, what is it that we ask for? After all, if 1/10ths of the shareholders approach the Government and request the Government and if the Government is satisfied that it is necessary in a particular company to do so, Government may in its discretion appoint an auditor either to act along with the one appointed by the company or in supersession of him. Government is assuming very wide powers under this Act, powers of even appointing directors on the Board. Why should the Government be afraid of taking this power?

Pandit K. C. Sharma (Meerut Distt.—South): It is necessary.

Shri C. C. Shah: That is all I wish to say about this.

Shri Tulsidas: What about solicitors? Are they appointed by the Government?

Shri C. C. Shah: If the Government wants powers to appoint solicitors, I shall be the first man to support that proposition.

Shri U. M. Trivedi (Chittor): Who will agree to the appointment?

Pandit Thakur Das Bhargava: An auditor does more responsible work in a company than a lawyer.

Shri C. C. Shah: What has got a lawyer or a solicitor got to do as compared with an auditor? But for that, I agree. Will that satisfy my hon. friend? My hon. friend will remember, I said on the floor of the House that the legal profession must be socialised. That is my view. I will advocate that when the occasion comes. Shri Gajendragadkar said so in Poona and I also feel that way. But, this is not the occasion for that. My hon. friend need not put all these posers to me. I am prepared for all that.

One word about investigation and the powers given to the Government. Pandit Thakur Das Bhargava was very apprehensive about the abuse of these powers. I will concede that they are wide powers. If they are abused, they can do a lot of harm and if they are properly exercised, they can do a large amount of good to the companies. In fact, one of the grievances of the Bhabha Committee, I think rightly and legitimately, was that if the Government or the Registrars of Companies had exercised even the powers under the existing Act, they would have been able to do much more. But, the inadequacy and inefficiency of the machinery of the Government was such that they could not exercise even the existing powers. These powers go much farther.

Pandit Thakur Das Bhargava: The Bhabha Committee did not go into this matter and did not visualise what harm they can do if powers are abused.

Shri C. C. Shah: That is not correct. The Cohen Committee went into this matter at very great length. The Bhabha Committee has adopted mostly the recommendations of the Cohen Committee in England. The provisions we have embodied in this Bill are only a reproduction of sections 164 to 175 of the English Act.

Pandit Thakur Das Bhargava: Conditions in England and in India are absolutely different.

Shri C. C. Shah: That is a different matter. They are different in certain respects. But, our Companies Bill, except for the necessary modifications which we are obliged to make because of the managing agency system is almost a reproduction of the English Act of 1948. We have adopted that Act.

All I wanted to say is this. Investigation is of two kinds. That is the point to which I wanted to draw the attention of the hon. House. One is investigation into the affairs of the company and secondly, it is investigation as to the ownership of the shares. The evil of nominee holdings is so widespread that even the Cohen Committee has not been able to cope with that fully. It is very difficult at times to find out the seat of power or the seat of control. Persons who are not shareholders on the face of it and who sit at the back, control the affairs of the company. Powers have been given in this Act to the Government to find out who are the true owners. These are powers which are given for the first time, under this Bill, which do not exist under the existing law. I hope the Government will exercise these powers if the occasion arises.

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah): I am thankful to my hon. friend Shri C. C. Shah for giving a detailed reply to some of the points raised by my hon. friend Shri Tulsidas and thus lightening my task.

First, I shall take the points raised by my hon. friend Pandit Thakur Das Bhargava. He raised some constitutional questions and also some doubts about the *intra vires* or *ultra vires* of certain clauses relating to investigation. I assure him that all these clauses were carefully examined by the Law Ministry and on their advice, we have inserted all these clauses in the Bill.

Shri U. M. Trivedi: Then, there was no need to come to Parliament at all.

Mr. Chairman: Order, order.

Shri M. C. Shah: I was saying that my hon. friend Pandit Thakur Das Bhargava has raised certain questions about the constitutional propriety of certain clauses under the head Investigation. He also was afraid that some of the clauses may be held *ultra vires*. He also said that the inspector's report would be relevant for evidence. I may assure him and the House that all these clauses were carefully examined by the Law Ministry in all its aspects and we are advised that there is nothing unconstitutional, nothing *ultra vires*. Our legal advisers are the Law Ministry and we act on the advice of the Law Ministry.

Shri K. K. Basu: Were two law Ministers consulted or only one?

Shri M. C. Shah: The Law Ministry I said.

Mr. Chairman: Let the hon. Minister proceed.

Shri M. C. Shah: He has also said something about the inspector's report being admissble as evidence of legal opinion in relation to any matter contained in the report. This section exists even today in the present Indian Companies Act—section 143—and exactly similar provision is contained in section 171 of the English Act. Nobody has questioned the legal validity or the propriety of this provision all these years either in this country or in the United Kingdom, and therefore I feel that his misapprehensions are rather misplaced.

Pandit Thakur Das Bhargava: May I humbly call the attention of the hon. Minister to article 13 of the Constitution? Any matter which is against fundamental rights can be agitated at any time. That this provision has been on the statute-book for long is no argument. The argument itself should be answered.

Shri M. C. Shah: After all, this is our opinion. We have asked the Law Ministry's opinion. We have to select which opinion we should accept, and we have to accept the opinion of the Law Ministry. It may be that the hon. Member's opinion may be correct. It may be tested later on and it may be that the hon. Member's opinion may be found to be correct, but today we can only act on the advice of the

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Law Ministry whenever questions involving law are placed before us, and therefore I say that he should not have any misapprehension on these points.

He also said that we are just taking very wide and extensive powers in these clauses. Certainly we are taking very wide powers under these clauses because our experience shows that the sections that were there in the old Act were not quite sufficient to bring to book those who always try to hoodwink the shareholders and the public.

Pandit Thakur Das Bhargava: Those powers were never used at all.

Shri M. C. Shah: My friend Shri Jhunjhunwala will bear me out when I say that in one case he has tried his level best to find out and bring to book the persons who had committed certain irregularities, but because of the defective nature of the section in not having wide powers we have not yet been able to do that, and therefore advisedly we have brought in these clauses and have taken very wide powers.

With regard to my friend Shri Ramaswamy—he is not here—he had raised certain questions about clause 225 and he had moved two amendments. The main purpose of his amendments seems to be this. As we have there mentioned that only a chartered accountant as defined in the Chartered Accountants Act can be recognised to be eligible for being auditors of public limited companies, he wants to throw open the field to other also. He just mentions some association, the Accountants' Institute or something like that. The House is well aware that in order to develop and in order to have a very healthy profession of chartered accountants, Parliament passed in 1949 the Chartered Accountants Act, and under that Act the conduct of the chartered accountants is regulated. They are being admitted as members when they possess certain qualifications and thereafter also throughout their career their conduct is being watched by the Council of the Chartered Accountants' Institute, and if there is any lapse, they have got the powers to take the matter to the High Court and to take disciplinary action against the chartered accountant. All those things are there. Now, we want to raise the standard of the accountants because we know that up till now we have not been fully satisfied with the system of these chartered accountants as it has worked. And therefore we propose to raise the standard of the chartered accountants because as has been admitted the accountants and auditors occupy a very important position and therefore we want people of very high standard of character and morality. Therefore, advisedly we have provided that only those who are members of the Chartered Accountants Institute can be qualified.

Then there was also another question. There are certain reciprocity clauses. Outside India there are some qualifications and we should recognise those persons having similar qualifications obtaining outside India. That has to be provided for. The matter was discussed and it was thought proper that instead of having that clause here as sub-clause (b) of clause 225, it should be introduced in the Chartered Accountants Act itself by which their conduct is regulated and so many other things are there. Therefore, the Joint Committee discussed this matter and they came to the conclusion that instead of having that clause here in the Companies Bill, we should amend the Chartered Accountants Act itself. The Institute was also consulted and they also said that it should be there in the Chartered Accountants Act, and therefore we have already drafted an amending Bill, and immediately after this Bill is passed it will come up before the House. Therefore, we have moved an amendment to delete sub-clause (b) of clause 225.

With regard to that, I would like to accept the amendment of my friend Shri Ramachandra Reddi—the first part of his amendment—which reads:

Page 118,
(i) line 39, *omit* "either"

The clause reads:

> "A person shall not be qualified for appointment as auditor of a company unless either—"

We have already moved our amendment No. 310 for dropping (b). Sub-clause (b) will be omitted, there will be only (a), that is:

> "unless he is a chartered accountant within the meaning of the Chartered Accountants Act."

Mr. Chairman: That is, amendment No.?

Shri M. C. Shah: 379. There are two parts. I accept the first part.

Mr. Chairman: I do not find it in the list and therefore I am asking. Was it moved?

Shri M. C. Shah: It has been tabled by Shri Ramachandra Reddi. I am sorry, it has not been moved, but I accept it. With your permission, Sir, we will just move that:

> Page 118 (i), line 39, *omit* "either".

Shri Sadhan Gupta: 379 has disappeared because it is a disappearing section in the Penal Code.

Shri M. C. Shah: We know that we will require more and more qualified auditors. Also as I said we will have to raise the standard of auditors, but because we have not got enough number of qualified auditors today, we should not lower the standard. Therefore, it becomes very difficult for me to accept the amendments of my friend Shri Ramaswamy, namely, amendment Nos. 463 and 464.

My hon. friend Shri N. P. Nathwani has moved an amendment. He has advanced very able arguments, and has been supported very strongly also by my hon. friend Shri C. C. Shah and others. I appreciate the anxiety of Shri N. P. Nathwani to have more and more of independent auditors on the companies. If it were possible, we would have accepted that amendment. But we have considered this question very carefully, and it looks to us that it will be very difficult for Government to find all these auditors to be appointed in supersession or in addition. At the same time, we have already provided certain clauses for investigation, under which whenever we get a representation from two hundred members or one-tenth of the members of the company, then certainly we shall have to appoint the inspectors. And ordinarily......

Pandit Thakur Das Bhargava: May I put one question? Is it contended that the investigation by an auditor will be equal to the investigation by an inspector? What is the inspector, after all? The inspector is nothing.

Shri M. C. Shah: My hon. friend Pandit Thakur Das Bhargava may be knowing that possibly—I do not think I will be wrong if I say—in 95 cases out of 100, chartered accountants or auditors are appointed as inspectors. So, whenever there is a representation, and whenever there are allegations that certain misdeeds have been perpetrated either by the managing agents or by those in management, then naturally, preference will always be given to the auditors to go into the accounts and to find out whether the allegations made are substantial or not. So, these powers of investigation in a way cover the objective of my hon. friend Shri N. P. Nathwani.

Today, there are about 30,000 companies in our country. It is expected that within the next five years, there may be 15,000 or 20,000 more, and so, the number will come to about 50,000 by then. If we have to appoint auditors on all these companies, then it will be very difficult to find the people. Besides, there would also be charges of nepotism or something of that sort. That is why Government have not taken very wide powers under this legislation. Government will watch the working of the administration of this Companies Bill when passed into an Act. And then if it is found that the appointment of auditors in addition or in supersession is necessary, then an amending Bill can be imme-

[Shri M. C. Shah]

diately brought. So, we propose to watch how this Bill works. We do not want to take away a very important right of shareholders to appoint their own auditors. That is why we have considered it not advisable at this stage to take these powers. I am afraid that we cannot accept the amendment moved by Shri N. P. Nathwani.

My hon. friend Shri Tulsidas raised certain points with regard to the exemption of private companies from submitting balance-sheets and from their accounts being audited by the auditors. These have been met by my hon. friend Shri C. C. Shah. My hon. friend wanted to know something about the exempt-*cum*-private companies in U.K. There also, we have reports with us which show that this distinction between exempt private companies and non-exempt private companies has created a complexity in the administration of the law; and the position has become very difficult there too, with the result that there is now a growing opinion there that that system is not good. In the circumstances obtaining in India, it is, therefore, not advisable to have two sorts of private companies, namely the exempt private companies and the other private companies. This point was considered at great length, as was stated by my hon. friend Shri C. C. Shah, and it was found that this was not at all necessary.

I fail to understand why private limited companies should fight shy of filing their balance-sheets with the Registrar. Why should they fight shy of having qualified auditors to audit their accounts? Moreover, the private companies and public limited companies have both inter-relations, and as a matter of fact, so many creditors and other members of the public would like to know how the affairs of these companies are carried on. Why should they fight shy of this? I for one fail to understand.

My hon. friend Shri K. K. Basu had raised the question of the audit of the branch offices. The present provision in the Bill is a compromise between different points of view. While power has been given to the auditors of a company to audit the accounts of branch offices, it has also been recognised that in practice in many cases it may be extremely difficult for such auditors to audit the branch offices in distant parts of the country, where qualified auditors may not be always available. In order to meet a situation like this, the company has been given the power to make other arrangement, where such alternative arrangements are necessary. Further, it is also necessary in the interests of the company that such auditors should not engage in a moving commission all over the country. So, it is necessary that the company should have some control over the movements of its auditors. For these reasons, it is not possible to accept the amendment of my hon. friend Shri K. K. Basu.

Shri K. K. Basu: What is the long distance from the headquarters of any State to a distant part in that State, which makes it difficult for the auditors to go and inspect the branch offices? For instance, auditors who are available in Kanpur or Lucknow can go to any part of U.P. and inspect the accounts of the branch offices (situated there) of a concern which has its head office in Calcutta. But the hon. Minister says that they are so far away. We have all toured throughout the country. Even a Calcutta firm can appoint an auditor of U.P. for its branch there.

Shri M. C. Shah: There are no arrangements for that. This is the provision that we have accepted as a compromise.

Shri K. K. Basu: For what?

Shri M. C. Shah: For, otherwise, it becomes very difficult practically. We have to look to our administration also. The insertion of such a clause will be of no practical help to the companies concerned. On the other hand, it will only hinder the practical administration of this audit work.

Shri K. K. Basu: What is the hindrance? Let us know that.

Shri M. C. Shah: The hindrance is there. As I said, they should rather concentrate on the head office and look into the things there; and other arrangements may be made in regard to the audit of the branch offices. After all, the affairs of the branch office are coming into the head office, and at the head office, they will be audited by the auditors of the company. I think this is a practical proposition.

Shri K. K. Basu: According to your own provision, only the summarised statements would be coming there. Are you going to make it incumbent on them that a true copy of all the documents that are preserved in the branch offices should be sent to the head office?

Shri M. C. Shah: Whatever documents the auditor will ask for, the company will have to produce from the branch offices also. I think this is a practical proposition. I think these are the main points that have been raised. There are a few very minor points also, and Members who raised them are not present in the House probably because they think that they are not very serious.

Shri Altekar: I have moved an amendment to clause 218(2) in connection with the depositors.

Shri M. C. Shah: I am prepared to accept it, provided the hon. Member is prepared to have the draft that we have prepared.

If it is accepted that only on payment of a rupee it will be incumbent on the company to furnish these things to the depositors, I am prepared to accept the amendment.

Shri Altekar: I accept it.

Shri M. C. Shah: I shall read the modified amendment, to sub-clause (2) of clause 218:

> In line 11, *after* "furnished without charge" *insert* "and any person from whom the company has accepted a sum of money by way of deposit shall, on demand accompanied by the payment of a fee of one rupee, be entitled to be furnished."

Shri Altekar: I accept the modification.

Shri M. C. Shah: I am prepared to accept it in this form.

Pandit Thakur Das Bhargava: May I bring to your notice that the House has already accepted an amendment in relation to clause 52, and the very same amendment is now being moved by Shri Jhunjhunwala, which should logically be accepted by this House? Previously on that occasion, so far as the sending of notice by post was concerned, an amendment moved by Shri Jhunjhunwala was accepted. Now, there is a similar amendment.

Shri M. C. Shah: I am sorry.

Shri Jhunjhunwala: It is the same thing as I had pointed out.

Shri M. C. Shah: What is the number of his amendment?

Shri Jhunjhunwala: I had made a suggestion in reference to clause 218 and I had pointed it out. But he said it was not necessary.

Shri M. C. Shah: Is there any amendment moved, as Pandit Thakur Das Bhargava says?

Pandit Thakur Das Bhargava: He spoke on that amendment here.

Shri Jhunjhunwala: The hon. Minister told me that it was not necessary to move an amendment to this, and that they will see to it that a similar amendment is made to this clause as was made to clause 52.

Pandit Thakur Das Bhargava: May I suggest that the amendment may be moved by the Government themselves, because the amendment is very important?

Mr. Chairman: At least the number of that amendment should be given to the Minister; otherwise, how can he move it?

Pandit Thakur Das Bhargava: I quite see that. But if it has not been moved, then he may move it. After all, it is in the interests of the country that dividend warrants etc. should be sent safely to the persons concerned with them.

Shri Jhunjhunwala: It relates to balance-sheet etc.

Shri M. C. Shah: At this stage, it is very difficult to accept that suggestion.

Mr. Chairman: Let us now proceed.

Shri Jhunjhunwala: He has not dealt with clause 233. Why does he say that I am not serious. I am serious about it.

Shri M. C. Shah: 'Managed in a way oppressive to any class of shareholders'—I cannot accept it.

Shri Jhunjhunwala: Why?

Shri K. K. Basu: He does not want it.

Shri M. C. Shah: Already, the Registrar has got powers to just call for information.

Shri Jhunjhunwala: No.

Shri M. C. Shah: Yes.

The Central Government have got the powers to call for any information.

Shri Jhunjhunwala: The Central Government might have got the power......

Mr. Chairman: Order, order. He cannot make a speech now. If he can convince the Minister, it can be inserted later on. There is no bar to it.

If it is accepted in a former clause, there is no harm in putting it again in another clause.

Shri S. S. More: He also finds it difficult to convince us.

Mr. Chairman: Now I will put the clauses to the vote fo the House.

There is a Government amendment, No. 687.

The question is:

Page 106,

after line 7, *add:*

"(7) If any person, not being a person referred to in sub-section (6), having been charged by the managing agent, secretaries and treasurers, or Board of directors, as the case may be, with the duty of seeing that the requirements of this section are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with fine which may extend to one thousand rupees."

The motion was adopted.

Mr. Chairman: Now, I shall put amendment No. 693 to the vote of the House. The question is:

Page 105, line 20—

after "summarised returns" *insert* "from competent officers of the branch office".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 208, as amended, stand part of the Bill."

The motion was adopted.

Clause 208, as amended, was added to the Bill.

Mr. Chairman: There is Government amendment No. 688. The question is:

Page 107—

after line 6, *add:*

"(6) If any person not being a director of the company having been charged by the Board of directors with the duty of seeing that the provisions of this section are complied with makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both:

Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully."

The motion was adopted.

Mr. Chairman: The question is:

"That clause 209, as amended, stand part of the Bill".

The motion was adopted.

Clause 209, *as amended, was added to the Bill.*

Mr. Chairman: There are three Government amendments, Nos. 309, 689 and 690.

The question is:

(i) Page 107, *after* line 12, *insert* the following as a proviso to sub-clause (1):

"Provided that nothing contained in this section shall apply to any insurance or banking company; or to any other class of company for which a form of balance-sheet has been specified in or under the Act governing such class of company".

(ii) Page 107, *after* line 16, *insert* the following as proviso to sub-clause (2):

"Provided that nothing contained in this sub-section shall apply to any insurance or banking company, or to any other class of company, or for which a form of profit and loss account has been specified in or under the Act governing such class of company."

The motion was adopted.

Mr. Chairman: The question is:

Page 108, line 22—

after "this section" *insert* "and the other requirements aforesaid".

The motion was adopted.

Mr. Chairman: The question is:

Page 108—

after line 25, *add*:

"(8) If any person, not being a person referred to in sub-section (6) of section 208 having been charged by the managing agent, secretaries and treasurers, or Board of directors, as the case may be; with the duty of seeing that the provisions of this section and the other requirements aforesaid are complied with, makes default in doing so, he shall, in respect of each offence be punishable with imprisonment for a term which may extend to six months or with fine which may extend to one thousand rupees, or with both:

Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully."

The motion was adopted.

Mr. Chairman: I shall now put amendments Nos. 694, 695, 696 and 697 to the vote of the House.

The question is:

Page 107—

omit lines 17 to 20.

The motion was negatived.

Mr. Chairman: The question is:

Page 107, line 22—

Omit "either unconditionally or"

The motion was negatived.

Mr. Chairman: The question is:

Page 107—

after line 22, *insert*:

"Provided that the reasons for the exemption are recorded in writing."

The motion was negatived.

Mr. Chairman: The question is:

Page 107,

after line 28, *insert*:

"Provided that the reasons for the modifications are recorded in writing."

The motion was negatived.

Mr. Chairman: The question is:

"That clause 210, as amended, stand part of the Bill".

The motion was adopted.

Clause 210, *as amended, was added to the Bill.*

Mr. Chairman: Clause 211. The Government amendment is No. 691.

The question is:

Page 110—

after line 44, *add:*

"(10) If any person, not being a person referred to in sub-section (6) of section 208, having been charged by the managing agent, secretaries and the treasurers, or Board of directors, as the case may be, with the duty of seeing that the provisions of this section are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both:

Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully."

The motion was adopted.

Mr. Chairman: There is another amendment No. 698.

The question is:

Page 110—

after line 31, *insert:*

"Provided that the reasons for the exemption shall be recorded in writing."

The motion was negatived.

Mr. Chairman: The question is:

"That clause 211, as amended,* stanu part of the Bill".

The motion was adopted.

Clause 211, *as amended, was added to the Bill.*

Mr. Chairman: The question is:

"That clause 212 stand part of the Bill."

The motion was adopted.

Clause 212 *was added to the Bill.*

Mr. Chairman: Clause 213. There is amendment No. 699.

The question is:

Page 111, line 28,—

for "alone" *substitute* "also".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 213 stand part of the Bill".

The motion was adopted.

Clause 213 *was added to the Bill.*

Mr. Chairman: The question is:

"That clauses 214 and 215 stand part of the Bill."

The motion was adopted.

Clauses 214 *and* 215 *were added to the Bill.*

Mr. Chairman: Clause 216. The Government amendments are Nos. 317 and 692.

The question is:

Page 112, lines 31 to 33,—

for sub-clause (4), *substitute* the following sub-clause:

"(4) The Board's report shall be signed by its Chairman if he is authorised in that behalf by the Board; and where he is not so authorised, shall be signed by such number of directors as are required to sign the balance-sheet and the profit and loss account of the company by virtue of sub-sections (1) and (2) of section 214."

The motion was adopted.

Mr. Chairman: The question is:

Page 113,

after line 2, *add:*

"(6) If any person not being a director, having been charged by the Board of directors with the duty of seeing that the provisions of sub-sections (1) to (3) are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to two thousand rupees, or with both:

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*In sub-clause (9) of clause 211, offence", were substituted by the words "any such offence", as patent error under the direction of the Speaker.

Provided that no person shall be sentenced to imprisonment for any such offence unless it was committed wilfully."

The motion was adopted.

Mr. Chairman: The other amendments are Nos. 700 and 701.

The question is:

Page 112—

after line 33, *insert*:

"Provided that the dissenting note or report, if any, shall be published along with it."

The motion was negatived.

Mr. Chairman: The question is:

Page 112, line 42,—

add at the end:

"and he can prove that he made diligent efforts to prevent the non-compliance of sub-sections (1) to (3) and the contravention of sub-section (4)."

The motion was negatived.

Mr. Chairman: The question is:

"That clause 216, as amended, stand part of the Bill".

The motion was adopted.

Clause 216, as amended, was added to the Bill.

Mr. Chairman: The question is:

"That clause 217 stand part of the Bill".

The motion was adopted.

Clause 217 was added to the Bill.

Shri Altekar: With your permission, I shall formally move amendment No. 355 as modified, which Government are prepared to accept.

I beg to move:

Page 114, line 11,—

after "furnished with out charge" *insert* "and any person from whom the company has accepted a sum of money by way of deposit shall, on demand accompanied by the payment of a fee of one rupee, be entitled to be furnished".

Mr. Chairman: The question is:

Page 114, line 11,—

after "furnished without charge" *insert* "and any person from whom the company has accepted a sum of money by way of deposit shall, on demand accompanied by the payment of a fee of one rupee, be entitled to be furnished".

The motion was adopted.

Mr. Chairman: There are other amendment Nos. 611 to 614.

Shri Bogawat: Nobody has moved them; why waste our time? Nobody is there; they do not press.

Shri U. M. Trivedi: What is the harm in putting them: one sentence more?

Mr. Chairman: I shall put all these amendments.

The question is:

Page 113, line 22.—

after "to every member of the company" *insert* 'to every employees' delegate".

The motion was negatived.

Mr. Chairman: The question is:

Page 114, line 7,—

add at the end:

"and by all the employees' delegates present at the meeting"

The motion was negatived.

Mr. Chairman: The question is:

Page 114, line 8,—

after "any member" *insert* "or employees' delegate".

The motion was negatived.

Mr. Chairman: The question is:

Page 114,

omit lines 28 to 34.

The motion was negatived.

Mr. Chairman: The question is:

"That clause 218, as amended, stand part of the Bill."

The motion was adopted.

Clause 218, as amended, was added to the Bill.

Mr. Chairman: The question is:

Page 114,

in line 51, *for* the words "together with" *substitute* the words "and of".

The motion was adopted.

Mr. Chairman: There are other amendments, 217 and 218, and also 597.

The question is:

Page 114,

omit lines 49 to 52.

The motion was negatived.

Mr. Chairman: The question is:

Page 115, line 1—

omit "or private"

The motion was negatived.

Mr. Chairman: The question is:

(i) Page 114, *omit* lines 49 to 52.

(ii) Page 115, line 1, *omit* "or private".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 219, as amended, stand part of the Bill."

The motion was adopted.

Clause 219, as amended, was added to the Bill.

Mr. Chairman: The question is:

"That clauses 220 to 222 stand part of the Bill."

The motion was adopted.

Clauses 220 to 222 were added to the Bill.

Mr. Chairman: There are three amendments to clause 223—702, 703 and 705.

The question is:

Page 116, line 30—

after "retiring auditor" *insert:*

"except the first auditor or auditors appointed under sub-section (5)".

The motion was negatived.

Mr. Chairman: The question is:

Page 116, line 31.—

for "shall be re-appointed" *substitute* "shall be deemed to be re-appointed without any resolution being passed therefor"

The motion was negatived.

Mr. Chairman: The question is:

Page 117, line 33, *add* at the end:

"and the Central Government shall give the auditor, an opportunity of representing his case before granting the aforesaid approval".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 223 stand part of the Bill."

The motion was adopted.

Clause 223 was added to the Bill.

Mr. Chairman: New clause 223A. The question is:

Page 117—

after line 43, *insert*:

"223A. Notwithstanding anything contained in section 223, where it appears to the Central Government on the application of either of not less than one hundred members or of members holding not less than one-tenth of the shares issued, that there is good reason so to do, it may appoint a duly qualified person to be an auditor of a company in supersession of or in addition to an auditor or auditors appointed by the company in general meeting, for such period and on such other terms as the Central Government thinks fit."

The motion was negatived.

Mr. Chairman: New clause 224. The question is:

Page 118—

for lines 4 and 5 *substitute* "(2) Within three days of the receipt of such a notice the company shall send a copy thereof to the retiring auditor."

The motion was negatived.

Mr. Chairman: The question is:

Page 118, line 7—

after "auditor" *insert* "within three days of the receipt thereof".

The motion was negatived.

Mr. Chairman: The question is:

Page 118, line 10—

omit "unless the representations are received by it too late for it to de so".

The motion was negatived.

Mr. Chairman: The question is:

Page 118, line 9—

after "to members of the company" *insert* "and to employees' delegates".

The motion was negatived.

Mr. Chairman: The question is:

Page 118, line 8—

omit "(not exceeding a reasonable length)".

The motion was negatived.

Mr. Chairman: The question is:

Page 118, lines 11 and 12—

after "to members of the company" *insert* "and to employees' delegates".

The motion was negatived.

Mr. Chairman: The question is:

Page 118. lines 14 and 15—

after "to every member of the company" *insert* "and to every employees' delegate".

The motion was negatived.

Mr. Chairman: The question is:

Page 118, lines 30 and 31—

omit "notwithstanding that he is not a party to the application".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 224 stand part of the Bill."

The motion was adopted.

Clause 224 was added to the Bill.

Mr. Chairman: The question is:

Page 118, in lies 39 to 44,—

for the words and figures beginning with the words "unless either" and ending with the words "outside India" at the end of sub-clause (1), *substitute* the words and figures "unless he is a chartered accountant within the meaning of the Chartered Accountants Act, 1949 (XXXVIII of 1949)".

The motion was adopted.

Mr. Chairman: The question is:

Page 119, sub-clause (3)(b), line 17,—

for "officer or servant" *substitute* "officer or employee".

The motion was adopted.

Mr. Chairman: There are three other amendments to clause 225—713, 714 and 221.

The question is:

Page 119, line 18—

after "partner" *insert* "or a relative".

The motion was negatived.

Mr. Chairman: The question is:

Page 119, line 20—

after "company" *insert* "or to any officer of the company or any of his relatives".

The motion was negatived.

Mr. Chairman: The question is:

Page 119—

after line 46, *add*:

"(6) Nothing contained in this section shall apply to a private company, unless it is a subsidiary of a public company".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 225, as amended, stand part of the Bill".

The motion was adopted.

Clause 225, as amended was added to the Bill.*

Mr. Chairman: The question is:

Page 120, line 28,—

after "proper" *insert* "and audited".

The motion was negatived.

Mr. Chairman: The question is:

Pages 120 and 121—

omit lines 38 to 47 and 1 to 7 respectively.

The motion was negatived.

Mr. Chairman: The question is:

"That clause 226 stand part of the Bill."

The motion was adopted.

Clause 226 was added to the Bill.

Mr. Chairman: The question is:

Page 121, lines 9 and 10—

omit "unless the company in general meeting decides otherwise".

The motion was negatived.

Mr. Chairman: The question is:

Page 121, line 10—*after* "be audited" *insert*

"either by the company's auditor or"

The motion was negatived.

Mr. Chairman: The question is:

Page 121, line 18—

after "visit" *insert* "at the expense of the Company"

The motion was negatived.

Mr. Chairman: The question is:

"That clause 227 stand part of the Bill."

The motion was adopted.

Clause 227, was added to the Bill.

Mr. Chairman: The question is:

"That clause 228 stand part of the Bill".

The motion was adopted

Clause 228, was added to the Bill.

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*In part (a) of sub-clause (2) of clause 225, line2, the word "any" was inserted before the word "rules", as patent error under the direction of the Speaker.

In sub-clause (3) of clause 225, lines 19 and 37, the word "servant" was substituted by the word "employee", as patent error under the direction of the Speaker.

Mr. Chairman: The question is:

Page 121, line 37—

add at the end "or any employees' delegate"

The motion was negatived.

Mr. Chairman: The question is:

"That clause 229 stand part of the Bill."

The motion was adopted.

Clause 229 was added to the Bill.

Mr. Chairman: The question is:

Page 121—

in line 41, *before* the words "be forwarded" *insert* the word "also".

The motion was adopted.

Mr. Chairman: There are two other amendments. The question is:

Page 121, line 42—

after "company" *insert* "or its branch auditor, if any"

The motion was negatived.

Mr. Chairman: The question is:

Page 121, line 42—

after "attend" *insert* "at the expense of the company"

The motion was negatived.

Mr. Chairman: The question is:

"That clause 230, as amended. stand part of the Bill."

The motion was adopted

Clause 230, as amended, was added to the Bill.

Mr. Chairman: The question is:

"That clauses 231 and 232 stand part of the Bill."

The motion was adopted.

Clauses 231 and 232 were added to the Bill.

Mr. Chairman: The question is:

Page 123, sub-clause (7)—

in line 4, *after* the word "creditor" *insert* the words "or any other person interested"

The motion was adopted.

2 P.M.

Mr. Chairman: The question is:

Page 123, line 7—

after "purpose" *insert* "or to manage in a way so as to be oppressive to any class of shareholders".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 233, as amended, stand part of the Bill."

The motion was adopted.

Clause 233, as amended, was added to the Bill.

Mr. Chairman: There is one Government amendment No. 576 to use 234.

The question is:

Page 123, line 28—

for "shares issued" *substitute* "total voting power therein"

The motion was adopted.

Mr. Chairman: The question is:

Page 123, line 27—

for "two hundred members" *substitute* "one hundred members".

The motion was negatived.

Mr. Chairman: The question is:

Page 123, line 27—

for "two hundred members" *substitute* "fifty members".

The motion was negatived.

Mr. Chairman: The question is:

Page 123, line 28—

for "one-tenth" *substitute* "one-twentieth".

The motion was negatived.

Mr. Chairman: The question is:

Page 123, line 28—

add at the end "or by any employees' delegate or employees' delegates holding one-twentieth of the total voting power computed by excluding the employees' relegates".

The motion was negatived.

Mr. Chairman: The question is:

Page 123, line 28—

add at the end "or by one-fourth of the number of employees of the company who are workmen within the meaning of the Industrial Disputes Act, 1947 (XIV of 1947)".

The motion was negatived.

Mr. Chairman: The question is:

Page 123, line 28—

add at the end "or of the employees' organisation".

The motion was negatived.

Mr. Chairman: The question is:

Page 123, line 31—

add at the end "or by one-fifth of the number of employees of the company who are workmen within the meaning of the Industrial Disputes Act, 1947 (XIV of 1947)".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 234, as amended, stand part of the Bill."

The motion was adopted.

Clause 234, as amended, was added to the Bill.

Mr. Chairman: The question is:

Page 123, line 35 and wherever it occurs in this clause—

after "members" *insert* "or employees' delegates".

The motion was negatived.

Mr. Chairman: The question is:

Page 123, line 35 and wherever it occurs in this clause,—

after "members" *insert* "or employees".

The motion was negatived.

Mr. Chairman: The question is:

Page 123, line 41—

after "the applicants" *insert* "who are not employees of the company".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 235 stand part of the Bill."

The motion was adopted.

Clause 235 was added to the Bill.

Mr. Chairman: The question is:

Page 124, line 7—

after "creditors" *insert* "members".

The motion was adopted.

Mr. Chairman: The question is:

Page 124, line 8—

after "unlawful purpose" *insert* "or with intent to defraud, or evade any obligation towards, any of its employees".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 236, as amended, stand part of the Bill."

The motion was adopted.

Clause 236, as amended, was added to the Bill.

Mr. Chairman: The question is:

"That clauses 237 and 238 stand part of the Bill."

The motion was adopted.

Clauses 237 and 238 were added to the Bill.

Mr. Chairman: The question is:

Page 126, sub-clause (6), lines 28 to 35, reletter paragraphs (a) and (b) as paragraphs (b) and (c) respectively; and *insert* the following definition as paragraph (a), namely:—

"(a) the expression 'officers', in relation to any company or body corporate, includes any trustee for the debenture holders of such company or body corporate."

The motion was adopted.

Mr. Chairman: The question is:

"That clause 239, as amended, stand part of the Bill."

The motion was adopted.

Clause 239, as amended, was added to the Bill.

Mr. Chairman: The question is:

"That clauses 240 to 250 stand part of the Bill."

The motion was adopted.

*Clauses 240 to *250 were added to the Bill.*

Mr. Chairman: We now come to the next group of clauses—clauses 251 to 322. The House will now take up clauses 251 to 322, for which seven hours have been allocated. Hon. Members who wish to move their amendments to these clauses will kindly hand over the numbers of their amendments, specifying the clauses to which they relate, to the Secretary at the Table within 15 minutes.

Shri U. M. Trivedi: Are we not taking this Group in two parts?

Mr. Chairman: Just wait. I shall announce after 15 minutes the names of Members who have specified the amendments which they wish to move and these amendments will be treated as having moved subject to their being otherwise admissible.

Shri Asoka Mehta (Bhandara): As regards the splitting of this group, I beg to make a submission. I suggest that we divide it into two groups, namely, clauses 251 to 283 and clauses 284 to 322, and that we allot four hours for the first group and three hours for the second group. There a 111 amendments in the first group and 94 in the second group.

Shri C. D. Pande (Naini Tal Distt. *cum* Almora Distt.—South-West *cum* Bareilly Distt.—North): Just the contrary; I think the time should be divided more liberally towards the second group.

Shri C. C. Shah: The whole of this group is indivisible as it deals with one subject, namely, the directors, their powers and duties. I think it is better to keep it as one group.

Dr. Krishnaswami (Kancheepuram): The suggestion is that it should be split up into two groups but we should have more time for the latter group.

Shri C. D. Pande: Yes, the latter is more important.

Shri Altekar (North Satara): In my opinion it should be treated as one group as it deals with the directors and their powers, which are all interconnected.

Shri K. K. Basu: Every part of the Bill is connected with the other parts.

Shri Asoka Mehta: Regarding the adjustment of time to be made, instead of four hours and three hours, you can have it as 3½ hours for each part. And if you want to take all the

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*In part (a) of sub-clause 1 of clause 243, line 17, the word "or", was added at the end as patent error under the direction of the Speaker.

In part (c) of sub-clause (5) of clause 244, line 32, the word "sub-clause", occurring for the second time, was omitted as patent error under the direction of the Speaker.

[Shri Asoka Mehta]

clauses together. I am perfectly agreeable, but the only thing is that we decided at an earlier stage that in order to facilitate discussion and in order to enable Members to focus attention on certain clauses at a time, we should split it into two groups.

Shri C. C. Shah: You are dealing with directors as a whole and there is no other subject dealt with in this group. If we were considering different subjects, we could divide this group, but as this is only one subject....

Shri S. S. More: May we know what the hon. Minister has to say on this?

Shri M. C. Shah: I am agreeable to any course that the House may decide. I think, however, that what Shri Asoka Mehta says is right. Although the subject is one, if it is discussed in stages, it will have a certain amount of discussion on different clauses. I also agree with the suggestion of Shri Asoka Mehta that the time may be equally divided between the two groups.

Dr. Krishnaswami: The latter group is more important.

Mr. Chairman: There are opposite opinions on this question. What am I to do? I think the views of the opposition...

Shri M. C. Shah: I have no objection whether it is divided into two groups or taken as one group: I am only concerned with the total time of seven hours.

Shri C. C. Shah: If we take it as one group, the time that is taken by a Member will be a little longer because the same Member has to cover all the different clauses. It may be more convenient if each Member can be given a little more time than splitting it into two groups.

Shri U. M. Trivedi: That is the reason why we want to split it into two groups. Otherwise it will be very difficult and there will be overlapping in some cases.

Shri C. C. Shah: But there are also great inconveniences.

Shri U. M. Trivedi: Shri Shah, the real spokesman, has not followed me. At one stage we only discuss the directors and at another stage we discuss the board. At the stage where we start with the board, we can have a new group and no harm will be done if we split it up. It will amount to the same thing as we are not going to extend the total time.

Shri B. R. Bhagat: But the board is not in another chapter; it is dealt with in the same chapter.

Shri Bansal (Jhajjar-Rewari): If you accept that these clauses will be discussed in two parts, the amendments of those Members which are given notice of today even to the latter part should be accepted as moved.

Dr. Krishnaswami: But tomorrow also amendments can be moved.

Shri Bansal: My submission is that they should be taken as moved even if they are given notice of today.

Mr. Chairman: Is it Shri Bansal's point of view that all the amendments to the whole group, that is clauses 251 to 322, should be moved first?

Shri Bansal: I am submitting only with respect to myself that I have tabled my amendments to those clauses which come later on, that is, clause 284 onwards and that my amendments should be treated by the House as moved because I may not be here tomorrow. The discussion goes on till day after tomorrow.

Shri K. K. Basu: I have no objection but that will be a very dangerous practice that whatever amendment stands in his name should be taken as moved.

Shri Bansal: After all, it has been definitely mentioned in the Order Paper that seven hours will be given to this one group.

Mr. Chairman: If you are absent tomorrow and you move it now, how will you support it in the House?

Shri Bansal: It will continue day after tomorrow. 2¾ hours will be taken today and 2¼ hours tomorrow and there will still be time.

Pandit Thakur Das Bhargava: In that case there will be difficulty with those who have given their amendments today. I do not want that the amendment of Shri Bansal should not be allowed to be moved; it may be allowed to be moved.

Mr. Chairman: Shri Bansal may authorise or ask some hon. Member to table the same amendments which he has and then they will be moved.

Shri C. D. Pande: When this time table was made out, these clauses were in one group. At the eleventh hour the grouping is being split into two. Those who have given their amendments already at the Table should be supposed to have moved them. Either do not change the time table or if you want to change it this facility should be allowed.

Mr. Chairman: If you ask another hon. Member to table the same amendment, he can move it.

Pandit Thakur Das Bhargava: Those Members who want to move them today may be allowed to do so and in respect of those who have given notice of amendments they will be allowed to move them. What is the difficulty?

Mr. Chairman: That is objected to by some people.

Pandit Thakur Das Bhargava: Notice of the amendment should be given one day earlier.

Shri Asoka Mehta: It is on this issue that Shri Kamath had ultimately to go out of the House.

Shri C. D. Pande: In case you approve of splitting this, the latter part is more important and more persons are interested in it. The time therefore for that part may be fixed as four hours.

Mr. Chairman: There is difference of opinion on this point. The solution at least for the present is that those Members who may not be here tomorrow may just ask some other Members to table the same amendments. Later on whatever is decided by the Speaker will be the general rule.

Shri C. D. Pande: I was referring to the allocation of time.

Shri K. K. Basu: We do not approve of it.

Shri Altekar: Three hours for the first and four hours for the second part.

Shri C. C. Shah: The first group includes the question of proportional representation. I understand there are many Members anxious to speak upon that also. We are sitting one hour late tomorrow, I understand.

Some Hon. Members: No, no.

Shri Tulsidas: We are not.

Mr. Chairman: Let it be equally 3½ hours. The first group will now be discussed: clauses 251 to 283.

Shri Bansal: I would like to know under what standing order I am being debarred from moving my amendments because I think it is the right of every Member to move the amendments as soon as a particular Bill is being taken into consideration and inasmuch as these particular clauses were to be taken into consideration in one group today as seven hours were allotted, I wish to move my amendments to clauses 284 to 293 and I would very much like to know under what standing orders I am debarred from moving my amendments?

Mr. Chairman: I think the House is taking up clauses 251 to 283. It has been settled by mutual arrangement that these clauses will be discussed first and after these the latter group will come up. Until the clauses themselves are before the House how can any amendment be moved? What is the objection of my friend in accepting my suggestion? Some hon. Members are objecting to it. In order to

[Mr. Chairman]

obviate the difficulty, I suggested this course. Later on when the Speaker is here the House may decide the general procedure.

Shri Bansal: I am absolutely in your hands. I was only suggesting that it is not against the rules at all if a Member wished to move the amendments to all the clauses which were supposed to have been moved.

Mr. Chairman: Is it the point that once a Bill is introduced, any Member can move his amendment at any stage even if the particular clause is not before the House?

Shri Bansal: Yes, Sir.

Mr. Chairman: I do not think so.

Clauses 251 to 283

Shri M. C. Shah: I take it that 3½ hours have been allotted to each group and that clauses 251 to 283 will be taken up first. That is settled.

My amendments are 656, 657, 658, 358 and 659 to clauses 266, 267, 268, 279 and 283 respectively. I shall move the others later on. There are five amendments to these clauses. By these amendments to clauses 266, 267 and 268, the words "managing director" are being substituted by "managing or whole time director". The explanation is that whatever is applicable to the managing director must be equally made applicable to the wholetime directors.

[Mr. Deputy-Speaker *in the Chair*]

By amendment No. 659, in sub-clause (1) of 283, after the word 'director' the words 'not being a director appointed by the Central Government in pursuance of section 407' are inserted. The explanation is this. It is obvious that a director appointed by the Government in pursuance of the special power taken under clause 407 should not be capable of being removed by a resolution of the company in a general meeting and this amendment is to make that clear. Amendment No. 358 seeks to substitute 'attained' for 'completed' occurring in clause 279; that is only to set right a grammatical error. These are the amendments of the Government.

Shri Sadhan Gupta (Calcutta South-East): We have a number of amendments to this group of clauses and I shall only deal here with some of the more important principles which we seek to introduce through our amendments. I shall, therefore, not take much notice of the minor amendments which we have moved—amendments by way of drafting changes, by way of introducing a small improvement and so forth.

The first principle or the main principle we are seeking to introduce is regarding the employees' participation in the board of directors, the prohibition of tax-evaders from acting as directors and introducing a number-*cum*-size basis for the limitation of the number of directors.

An Hon. Member: What is your amendment?

Shri Sadhan Gupta: I shall come to each amendment as I proceed to each subject. I shall now refer to some of the amendments that we have suggested regarding the appointment of additional directors and about non-rotational directors. Since they are relatively minor matters I might dispose of them at the very first instance.

Regarding the proportion of non-rotational directors to rotational directors we suggest a proportion of 3/4 and 1/4 instead of 2/3 and 1/3—our amendment number 739. This Bill seeks to provide that the managing agents should have the right to appoint directors or nominate directors in the quota which is outside the directors who will retire by rotation. This quota we want to reduce by increasing the number of directors who will retire by rotation. We also think that it is necessary to make a larger proportion of directors who will retire by rotation. Therefore, we have provided that out of the total number of directors

⅔ will retire by rotation and ⅓ will not retire by rotation. So, the managing agents will have the right to nominate their directors only from out of that quota.

Another relatively minor point is regarding share qualification. We suggest in our amendment number 766 that a share qualification of not more than Rs. 500 should be provided for; instead of Rs. 5,000 provided for in the Bill we suggest substitution of "Rs. 500". This is only to establish the principle that money is not everything in determining the right to act as a director. If you want monetary interest in the case of a director it is sufficient to insist that he will have Rs. 500 and you should not provide for more; because, if you provide for more you may shut out able, but not so rich, persons from being directors of companies.

The more important—and I think the most important—amendment from our point of view is the amendment by which we seek to enable the employees to participate in the management of companies by having their representatives in the board of directors. We have suggested the inclusion of a new clause 254A by our amendment No. 741. This clause reads like this:

> "254A. *Election of Directors by Employees.*—(1) The employees of a company who are workmen within the meaning of the Industrial Disputes Act (XIV) of 1947, shall elect by secret ballots from amongst themselves, one director or a number of directors equal to one-fourth of the total number of directors, whichever number is greater.
>
> (2) A director elected under sub-section (1) shall hold office—
>
> (a) if elected before the statutory meeting from the date of such meeting to the day previous to the date on which the annual general meeting is held; and
>
> (b) if elected before any annual meeting, from the date on which such annual general meeting is held till the day previous to the date on which the next annual general meeting is held.
>
> (3) the said employees shall at any time be entitled to elect such number of directors as may be necessary to make the number of such directors equal to the fourth of the total number of directors, and shall elect such directors when additional directors are appointed under Section 259."

Now, Sir, I need not repeat at great length what principles are involved in this clause. It has been accepted, as a matter of principle, I may say, by Government and by political parties alike that we want employees' participation in the management of companies; that the employees have an interest in the companies and that the employees are in the position of partners with the enterpreneurs of companies. Therefore, it is in the fitness of things that we give them some opportunity to participate in the management in some way or other. I had thought that the best scheme would have been to let them participate at all levels: at the plenary level by electing delegates to the general meeting as well as at the level of the board of directors by taking actual part in the management. My amendment regarding participation through the general meeting has not been accepted but that does not bar the acceptance of my emendment by way of enabling them to participate in the management through the board of directors. There have been several objections to my scheme for allowing them to participate through the general meeting but I believe no such objection will occur with regard to this scheme and emplyees should be entitled to participate in the management through representation in the board of directors. The scheme I have suggested is that the employees should elect 25 per cent from amongst themselves to the board of directors. This 25 per cent, as I have explained on a previous occasion, is a well accepted proportion and although I personally feel, although my Party feels and although, I think, many

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of us on this side of the House feel that the employees are entitled to a much larger participation, yet, since this is a widely accepted percentage, therefore, we, for the time being, put our own ideas in the background and take the line of least resistance.

That is the principal amendment we suggest to this group of clauses. This is a scheme which is extremely important for the employees, because, through the management the employees will be able to better their lot in many ways. We know that the difficulty which the employees face in getting their dues from the company is due to the fact that they are ignorant about the state of accounts of the company. They have to accept what the company tells them about their state of their accounts. That is not a very happy state of affairs. Often the companies present a very false picture of their position to their employees and the employees are left with no way of verifying or refuting the same. If they have to adopt any way which is a clandestine way, that is fraught with very great danger. I have conducted a case in a particular tribunal and there a particular company had pleaded incapacity to pay. There was irrefutable proof in the account books of the company that the company was diverting a lot of resources to the personal purposes of people in authority in the company. But that could not be proved without producing the account books. The company refused to produce the account books. What the employees had to do was to clandestinely take a photographic copy of the accounts and submit it. That was submitted before the tribunal, accepted in evidence, but subsequently the company applied for their dismissal under Section 33 and got the permission to discharge the employees concerned. That shows the anomaly of the whole position. If the employees are associated in the management they can prove through their repesentatives in the management what the state of accounts is and thereby they can induce tribunals to award better emoluments to them. Apart from tribunals, it is good for employees to know the state of accounts. Then they are in a better position to bargain for themselves. There is also a most important question of principle involved, namely the question of translating into practice your idea that the employees have an interest in the concern, that the employees are partners in the concern. That is the most important principle to be borne in mind.

The second important principle which I suggest is the question of limitation of directorships by number as well as by size. We have sought to provide in this Bill that a director can be a director of twenty companies. I do not see how a director can possibly efficiently manage twenty companies. If you accept the position that a director may be allowed to earn remuneration out of twenty companies without doing anything at all that is understandable. But if we accept the position that a director should be in a position to render real service to every company in which he is a director, then I do not see how a human being can serve twenty companies. There is no getting away from the fact that beyond a number, directorships as respects companies which are beyond the number which a director can manage must be in the nature of sinecures and there is no doubt if a man is allowed to be a director of twenty companies, about 15 of them will be sinecures. Do we want sinecures, or do we want efficiency among the directors? If we want efficiency, I think five or at most ten companies is sufficient and we have submitted a number of amendments to that effect, for limiting the number to five or ten. But more important still is that you should not have your eye only on the number of companies that a person directs; you must also look to the size of the companies. A person may be a director of twenty small companies. That is not very dangerous as regards that aspect of concentration of wealth. We have to consider the question of efficiency as well as the question of concentration of economic power and concentration of wealth. Now by managing twenty small companies a director may suffer in efficiency, but it is not dangerous as respects the aspect of concentration of economic power or concentration of wealth. But the danger comes in his being allowed to manage even three or four big companies. Therefore, the scheme we have suggested is that director should manage five or ten companies at most provided, as stated in our amendment No. 775, if a person holds office at the same time as director of more than one company, the number of companies shall be such that the block capital of all such companies shall not in the aggregate exceed Rs. 10 crores. Our scheme is that if one is a director of one company, the company may be as big as can make it. We have up to now no scheme in hand to regulate the size of one particular company. Of course, there are dangers in it. One company may, in the name of expansion, extend into other ventures. That will have to be watched and if that kind of tendency becomes alarming it must be checked. But subject to that in a legitimate field of expansion one company may extend to a big size; it may extend even beyond Rs. 10 crores and there is no harm in directing that particular company. But when you have a multiplicity of companies, you must limit the size of block capital, because block capital is the surest index of the size of the company, the surest index how much economic power, how much wealth it can give to its directors. Therefore we propose this scheme: instead of limiting by numbers alone we must try to limit by number *cum* size of the undertakings.

Therefore, our scheme would be that a director would be enabled to be a director of five or ten companies at most but if any of these companies has a block capital of more than Rs. 10 crores, then he can manage only one company, or more than one company which is within the block capital of Rs. 10 crores. He cannot manage the excess, even if it is less than five. That is the scheme we propose and which we commend to this House for acceptance.

Now the last, but not the least, important principle which we seek to emphasize in this connection is regarding the prohibition of tax evaders acting as directors of companies. Now in the group of clauses from 197 to 207. I had proposed a similar provision for debarring persons from management. promotion and formation of companies who were found guilty of evading taxes. I remember, the Finance Minister while I was propounding my principle, had asked me the number of my amendment, but I find that in his reply he has not dealt with it at all. I do not know what it is. I had met practically the same fate in connection with the State Bank Bill. At that time the Deputy Finance Minister said that he could not accept it because as he put it it was difficult to determine who was or who was not a tax evader. I pointed out last time that it was not really difficult because the scheme is there in concrete terms. But even after that I have not had any reply from the Finance Minister. I do not know what it is. Is it a matter of contempt? Is it a matter of oblivion, or is it a matter of keeping convenient silence? This is a matter that requires an answer very urgently. What is our softness to tax-evaders? Why should we not accept the principle that a person who has been found guilty by a competent court or tribunal of having evaded taxes will not be allowed to manage business undertakings? As I explained on the previous occasion—and I want to emphasise it again—that this is a manifold evil. This creates a number of evils. In the first place, it gives the person concerned further opportunity to evade taxes. In the second place, it shifts the burden of taxation on the honest section of the country and it particularly hits the poorer section of the country. Why, in spite of all that, we are soft to tax-evaders? I would expect the Minister to give a reply to it. Is it because the Government thinks that tax-evaders are essential for the purpose of success of our enterprises? Is it because the Government

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does not think that the tax-evaders deserve so harsh a treatment? What is it? If either of them be the reason,—in any case—I would expect the Government to give a reply of course I would not expect the Government to give a reply if it thinks that it should please the tax-evaders for the next elections. But, if it is a matter of policy of the Government that tax-evaders would be tolerated in business, that tax-evaders should be treated leniently, then, I would expect the Government to give a reply. The provision I have sought to introduce regarding tax-evaders is by my amendment No. 746. By that amendment I have sought to introduce a clause, 272A which runs thus:

> "272A. *Prohibition of appointment of tax-evaders as directors.*—(1) No person who has been found guilty by any Court or Tribunal or other competent authority of evading any tax payable by him, shall be appointed as a director of any company.
>
> (2) Any person, on being found guilty as aforesaid shall forthwith vacate the office of a director.
>
> (3) In the case of a person who has been found guilty as aforesaid before the commencement of this Act, the provisions of sub-section (2) shall apply as if he had been found guilty as aforesaid at the date of commencement of this Act.
>
> (4) This section shall apply notwithstanding any want of jurisdiction in the Court or Tribunal on account of any technical defect in its constitution or composition."

Here, the class of persons is clearly defined and the effect on their being appointed as directors is clearly stated and the forum which has to decide it is clearly stated. I want the Government—and I think it is a privilege I can claim to know from the Minister—to say what their attitude is, and why he objects, or why he does not want to accept this kind of provision which I think is a very reasonable amendment.

Shri Asoka Mehta: I would like to make a few observations on clauses 264, 274 and 277. I would also like to explain my two amendments, 224 and 232, and I would like to support some of the amendments that have been moved, particularly, amendment Nos. 737, 738 and 380 which deal with the workers' participation in the management. Amendment Nos. 227 and 550 deal with the proportional representation and amendment No. 102 deals with the number of directorships that a director may hold.

As far as the workers' participation in the management is concerned, this amendment may be brought in, to clause 251 or to clause 254 or to clause 264. As a matter of fact, amendments have been given by Members to all these clauses. There is no doubt that there is widespread desire that in this Bill there should be provision for the inclusion of the representatives of the employees on the board of directors. This particular suggestion has been discussed in this House in the course of the debate on this Bill over and over again. I have no desire to take your time by repeating the arguments that have been put forward. As a matter of fact, our case was ably summed up by the Finance Minister himself the other day in the course of the reply to the discussion. The Finance Minister has made it clear that he is not averse to this suggestion. The Labour Minister has himself sponsored this suggestion. The Prime Minister has blessed the idea and I find that there is nothing new in it. As a matter of fact, I find from the report of the Economic Programme Committee which was appointed by the All-India Congress Committee in 1947 and which gave its report in 1948—a Committee which was presided over by no less a person than the Prime Minister himself—that one of the recommendations of the Committee is that "stable and friendly relations should be established between labour and capital through increasing association of labour with management and industry and through profit-sharing". I further find that the All-India Congress Committee, in the course of an important resolution passed in 1947—it was known as the resolution on Congress objective after the realisation of political independence—said:

> "In the case of industries, which in their nature must be run on a large scale and on centralised basis, they should be so organised that workers become not only co-sharers in the profits but are also increasingly associated with the management and administration of the industry."

This was the Congress Party's policy, the policy of the ruling party, enunciated authoritatively as early as 1947 immediately on the achievement of political freedom. Eight years have gone by and I am not able to understand why the Finance Minister says that we must wait before any amendment of this nature can be accepted and incorporated in this Bill.

As a matter of fact, progressive companies have already adopted this kind of provision. In this city itself, the Delhi Cloth Mills has already a provision for electing two directors, representatives of the employees, on the board of directors. Lala Sir Shri Ram is an outstanding businessman and he has found that inclusion of workers' representatives is not only good social work but also better business. I would like to point out that those of us who are demanding workers' participation or workers' representation on the board of directors fully realise that this is merely the beginning. This is just the thin end of the wedge because workers' participation in the management cannot be completed: it merely begins with the introduction of employees as directors on the board. The industrial democracy that we envisage, not only on this side of the House, but, if the pronouncements of the Congress Party are to be believed—and I would like to believe them—on all sides of the House, admits what Professor G. D. H. Cole has called "encroaching control" by workers. This is the beginning, and I would like my friends, Shri Somani and Shri Tulsidas, to realise that this is merely the first step of the encroaching control that we would like the workers and the employees to exercise over industry, so that in course of time, our capitalists friends may become as redundant as tail has become to the human beings today..

The next clause on which I would like to say something is clause 274. There are two sets of amendments to this clause. One is the amendment moved by me which wants that all directors should be elected by proportional representation. The other is the amendment moved by my friends Shri Moraka and Shri Nathwani, where they say that those directors who retire by rotation only need be elected by proportional representation. I would like to support both these amendments. Naturally, I prefer mine, because I am opposed to the managing agency system root and branch. But in case my amendment is not to be accepted, I would commend to the House the amendment moved by Shri Moraka and Shri Nathwani. As far as proportional representation is concerned I believe nothing more can be added to the very lucid exposition of the subject which was made by Shri Govind Ballabh Pant twenty years back. I would only quote one sentence from his speech, which has been quoted already on the floor of this House namely, that "proportional representation is a necessary reform to improve the industrial mechanism of this country." So, in order to improve the industrial mechanism of this country, it is necessary that we have proportional representation for the election of directors. It is true that we have introduced a number of changes; we have brought about some reforms in the Company Law after the speech that was made by Shri Govind Ballabh Pant, but none of these reforms has materially weakened the force of his arguments. I would still like to invite the attention of this House to the moving peroration of his speech, which has been quoted profusely by the Bombay Shareholders' Association. Shri Pant ended

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his famous contribution to the discussion of 17th September, 1936, with the following appeal.

> "I appeal to the hon. Members of this House to rise above prejudice, to think of the skeletons that are walking all over this land and devise means by which some wealth may be produced, so that those who are starving may get at least one meal a day, if not two."

Evidently, in the mind of so distinguished a colleague of ours as the Minister of Home Affairs, there is a direct relationship between increased production in the country and proportional representation. Sir, I shall not try to repeat the brilliant arguments that he has given to sustain his case. I am only sorry that, because he is on the Treasury Bench, the responsibility of piloting this amendment has been thrown on younger and less experienced shoulders. It would have been matter of real satisfaction to all if he had been able to sponsor his own amendment.

The Bombay Shareholders' Association, as you will find from this memorandum submitted by the Association to the Government of India in May, 1949, extensively quoted from the speech of Shri Govind Ballabh Pant and recommended to the Government that proportional representation be adopted. I am told that on this occasion also, the Bombay Shareholders' Association has reiterated that belief in proportional representation. If I am wrong, the Finance Minister will correct me.

I would like to point out that it is necessary to have proportional representation because. in the modern world, those who are in charge of management are able to retain their control with only a small holding. I would like to invite your attention and, through you the attention of the Finance Minister, to the chart that is given on page 126 of professor Mund's recent publication. *Government and Business*. This chart, as you will see, gives us the position in the U. S. A. regarding ownership and control in the 200 largest corporations, by assets. What is the position in 200 largest corporations in the U.S.A.? With a very small holding, the management is able to control the other shares, without important ownership or through various other devices. With a very limited holding, it is able to maintain its control over these huge giant concerns and even when the minority ownership is substantial, as you will find in chart 13 of this book, minority ownership does not find any kind of representation. It was because of this experience that proportional representation was accepted in the U. S. A. We are likely to have similar kind of difficulties here and therefore it would be better if we introduced proportional representation. It is not enough to make it permissive; it will have to be made obligatory. I am giving you a supporting reason for that. We have already adopted clause 76 where provision is made for share purchase schemes. John Harper in his recent exhaustive study of the subject in his book *Profit sharing in practice and Law* has suggested two alternatives. One is Employees Share Scheme and the other is Share Purchase scheme. We have preferred share purchase scheme in clause 76, which we have already adopted. In discussing these schemes on page 212, the learned author argues as follows:

> "The special rights usually relate to the election of one or more employee directors by the holders of the employees' shares, each such holder having one vote for each such share."

The employees shareholding will be meaningful only if the employees have the opportunity of electing their own directors. I would like to cite as an instance the case of the Scindia Steam Navigation Company, with which my friend Shri Tulsidas has been eminently associated even since its inception. There are 45 lakhs of shares in this company and the total capital is Rs. 9 crores. The total wage and salary bill of the company comes to Rs. 3 crores. There are 11 trade unions in that company among the employees and I am connected directly or indirectly with a majority of these trade unions. It may be possible for me to pursuade the employees to buy shares and take advantage of the facilities that are being offered under clause 76. Suppose they accept my advice and are able to buy shares worth a crore or a crore in proposing in an *ad hoc* manner this and a half of rupees, which means that they will have 5 to 8 lakhs of share. What will they do with 5 to 8 lakhs of shares? Even when they have 5 to 8 lakhs of shares, they will not be able to have a director, because Tulsidasbhai and his prominent colleagues hold so many shares directly or indirectly that it will be impossible for the employees who would have purchased those shares to get any kind of representation on the Board of Directors. By adopting clause 76, we have opened the door to the employees having a stake in the fortunes of the company.

But, the stake will be limited only to shareholding. No higher stake will be possible unless proportional representation is introduced. Shri C. C. Shah told me that he is one of the smaller shareholders in that company. It may be possible for the employees and small but able shareholders like him to combine together and perhaps offer a list of directors which may be different from the list that may be offered by my hon. frind Shri Tulsidas and his eminent colleagues. That will be impossible unless there is proportional representation. Is it ever possible, is it likely that a big company like the Scindia Steam Navigation Company of its own volition will introduce proportional representation? All the changes that we are suggesting will not bear the fruit that we want unless proportional representation is accepted.

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Lastly, I would like to say something on clause 277, where we have tried to fix a limit on directorships that a director can hold. In the United States of America, I find that 340 directors hold 2,220 directorships. The average comes to—these are top directors—about 7 per head. In the U.K., I believe the concentration is even less. In Germany, as I had pointed out last time, the legal bar is at 10 directorships. Nobody can hold more than that. In India, the concentration has been growing very fast. I had made a study of the subject, which was published in a book form some time back; and there I had shown that 500 important industrial concerns of our country in 1939 were managed by 2,000 directors, of whom 850 held 2,000 directorships, with an average of 2·33. Seventy of them held 1,000 directorships, with an average of 14·20; 10 of them held 300 directorships, with an average of 30. In 1949, when more or less the same group was surveyed once again by me, this was what I found. There were 1,013 persons holding 3,728 directorships of whom 932 had 1,885 or 2 directorships per head; 61 held 1,038 directorships with an average of 16 and 20 held 805 directorships with an average of 40. The top directors had increased from 10 to 20 and their per head directorships had increased from 30 to 40. In this country, this particular disease has gone very deep and it is useful to place some kind of limit on it. And I therefore welcome the clause. But, I do not think that the limit of 20 is a proper limit.

In this connection, I would like to point out that this limitation appears to be without any kind of an integrated understanding behind it. If the Finance Minister will forgive me for saying that, it seems to be a kind of an *ad hoc* decision.

The Minister of Finance (Shri C. D. Deshmukh): Token.

Shri Asoka Mehta: Its is a kind of an *ad hoc* decision and I shall try to explain what I mean. Every country has a certain governing philosophy. I know the Finance Minister every time wants to dismiss us by calling us doctrinnaire. Can there be a pattern unless there is a purpose? Patterns emerge only when they are linked up and only in so far as they are linked up with purposes. What are our purposes? Even in a capitalist society,

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there are structural differences. I find that Germany favours cartalisation and no new business can be opened without the approval of the existing firms. In the U.S.A., the accept is on free competition and free entry. In the U.S.A., the Finance Minister knows very well, in order to have this kind of free competition and free entry, two enactments are there: the Sherman Act of 1890 and the Clayton Act of 1914. Section 8 of the Clayton Act has something very interesting to say on the subject of directorships and I would like to invite the attention of the hon. Finance Minister to the book by Messrs. Anshen and Wormuth, *Private Enterprise and public Policy*. On page 103 of this book, this is what is said:

> "More important, this section (section 8 of the Clayton Act) forbids any person to be a director of two or more corporations, any of which has assets exceeding $1,000,000 if such businesses are competitors, so that the elimination of competition between them would be a violation of the antitrust laws."

Then, they proceed further to point out how the Clayton Act does not go far enough. This is what is said:

> "Unfortunately, section 8 is too narrowly framed to accomplish its purpose. It permits an officer of one corporation to serve as director of a competing corporation. And it contains no provision dealing with indirect interlocks or with vertical interlocks. An indirect interlock occurs when each of two competitors has a director on the board of a third corporation. A vertical interlock occurs when a corporation has a director on the board of a supplier or a customer of the corporation."

But, Shri Tulsidas may perhaps dismiss this as merely the outpourings of a professor. I would like to substantiate what I have to say by, with your permission, a quotation from a far more exalted authority and that is the Federal Trade Commission of the U.S.A. There is a philosophy behind it. That this philosophy is not worked out by the U.S.A. is unfortunate. But, in this country at least, let there be some kind of relationship between the philosophy that we hold and the provisions that we make here. With your permission, I would like to read this extract which is very relevant, but which is a little long. This is what the Federal Trade Commission has to say:

> "(1) Interlocking directorates between competitors, whether on a direct or an indirect basis, tend to limit or to eliminate competition between the competing concerns. (2) Interlocking relations between companies in the same or in closely related industries, but not in competition with each other, may forestall the development of competition which otherwise would come from normal expansion of the list of products which they manufacture. (3) Interlocking relations between companies that face similar problems, for example, the large integrated oil companies or between companies in an industry and financial institutions that are broadly interested in that industry or in related industries, may give rise to communities of interest and create a united front against any who threaten habitual relationships or established pre-eminence."

I would very much like to invite the attention of the Finance Minister to this particular sentence:

> "..... may give rise to communities of interest and create a united front against any who threaten habitual relationships or established pre-eminence. (4) Vertical interlocks may reach back to companies from which important supplies come and thereby evoke preferential treatment in the distribution of materials in short supply. (5) Vertical interlocks may reach forward to companies that consume or distribute the products of another and thus create preferential access to market outlets. (6)

> Interlocking relations between manufacturing corporations and financial institutions especially banks and insurance companies, may establish a type of vertical relation that assures adequate credit to favoured companies and a withholding of credit and capital from their competitors. (7) Interlocking relations may give expression to an underlying ownership interest and may involve nothing more than a desire to protect an investment."

These are the dangers that have been pointed out by the Federal Trade Commission, the governing body in the U.S.A. I am afraid the Finance Minister has not taken into his focus these various aspects of interlocking in proposing in an *ad hoc* manner this limitation of 20 directorships. In this country, as the Finance Minister knows well, and as you are also aware, Sir, big businesses have got their own banks and their own insurance companies and through these banks and insurance companies they are able to exercise a tremendous amount of control on our industrial economy. That is the reason why I characterised them as our industrial oligarchs. These oligarchs exist and through this kind of interlocking they are able to have a tremendous amount of hold on our economy. Through this Companies Bill, we have got to weaken that hold. I do not know—I was not a Member of the Joint Committee—what has taken place in the Joint Committee. But, I read out to the House, with your permission, the evidence that was given by Shri B. M. Birla before the Joint Committee where he had said that the business community in India is proud of interlocking. It is this pride, a pride with all the consequences that follow from it, which have been listed in 7 categories by the Federal Trade Commission of the U.S.A., that has to be watched and that has to be countered.

And my contention is that the Finance Minister has not gone deep into this. He has merely, in response to a claimant demand, put some kind of ceiling on the directorship that are to be held, but the inter-relationship has not been fully examined, and the result will be that you may put a lid somewhere, but you will not be controlling the setting cauldron underneath.

Shri U. M. Trivedi: I want to concentrate my remarks on certain amendments which I have moved to clauses 265, 273, 279, 280 and 282.

My main criticism is with reference to this disqualification clause. It is quite true that we are trying to raise the level of our businessmen and in trying to raise that level, we have to put certain restrictions on those who want to hold that responsible position of trust so far as the shareholders are concerned. And it is with that end in view that clause 273 provides that a person shall not be capable of being appointed director of a company if he has been convicted by a Court in India of any offence and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence.

It is an everyday occurrence, especially in the Punjab, Delhi and PEPSU that breaches of section 144 are reported. Not only that. The breach of the order under section 144 is punishable under section 188 of the Indian Penal Code and that offence has been made cognizable, and non-bailable by a special provision in these places, and it is generally punished with imprisonment of six months, eight months and 12 months. The sentences have been, very recently in the case of the Akali agitation and likely at the time of the agitation in Jammu and Kashmir, very severe. If a man is sentenced for such a breach, naturally by this provision he will be disqualified. In other words, one oppression against the public will be practised by the executive and the other through this machinery of disqualifying any man from taking any active interest whatsoever in the day to day politics of our country. In other words, in my opinion this is not a very fair provision which is being put

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through this company law. If this provision is necessary, I suggest—and I have suggested by my amendment—that there must be an offence implying moral turpitude. I use this phrase "moral turpitude" for it is quite natural for us not to allow a demoralised or base man to act as a trustee in any capacity whatsoever. In clause 266 we find that the qualification of a managing director is that he should not be a person who is, or has at any time been, convicted by a Court in India of an offence involving moral turpitude. So, when we are putting the qualifying phrase "moral turpitude" in the qualification of a managing director, I see no reason why it should not be placed in the case of a director.

The other thing which strikes me as very strange is this. Article 102 of our Constitution provides that a person shall be disqualified for being chosen as, and for being, a member of either House of Parliament if he is so disqualified by or under any law made by Parliament. By virtue of this, when the Representation of the People Act was made, section 7 laid down:—

> "A person shall be disqualified for being chosen as, and for being, a member of either House of Parliament or of the Legislative Assembly or Legislative Council of a State........
>
> (b) if, whether before or after the commencement of the Constitution, he has been convicted by a court in India of any offence and sentenced to transportation or to imprisonment for not less than two years, unless a period of five years, or such less period as the Election Commission may allow in any particular case, has elapsed since his release;"

When we are dealing with the qualification for becoming a member of the State Legislative Assembly or a Member of Parliament, we provide for an inhibition only by having a sentence of two years. I do not see any reason why a similar provision should not be incorporated so far as the managing directors are concerned. A managing director cannot be put on a higher status or a higher pedestal than a man in the Legislative Assembly, and a greater qualification from him cannot be demanded or greater moral value cannot be attached to his holding a particular post of merely a director. So, to put an inhibition for a director that if he is sentenced under the ordinary law for six months, he will be disqualified is not proper. There are so many offences nowadays under which a man can be sentenced for six months imprisonment. So, unless and until it can be shown that he is guilty of any offence which reeks of moral turpitude, he should not be disqualified. This condition should be put into the provision itself and the mere six months imprisonment for an ordinary offence which he might have committed by force of circumstances should not disqualify a man, because I remember cases in which people who were gathered together where others were demonstrating were caught in the net and were also punished with six months imprisonment for breach of provision of law, *viz.*, section 144 of the Criminal Procedure Code. There is all the more reason as the working of the present Government indicates that it has not been very fair. Wherever we see we have instances. All over India, in Bombay, Bihar, U.P., Rajasthan, at all places every time a man in the opposition does anything or there is the slightest ground for attacking him, section 107 is there, section 144 is there, section 188 is always there. Then, nowadays a new malady has started. Instead of catching hold of a man in the opposition under 107 or 110 or anything of the kind, he is generally prosecuted under section 307 of the Indian Penal Code, that is attempt to murder. Even if he lifts a stone on the way, it will be said that he is doing so really to break the head of somebody; and if it is a Congressman's head, it will be said that he is certainly going to kill him. This sort of thing makes it all the more necessary for us to protect an ordinary individual from these oppressive provisions. I therefore say that it would be proper for us to have the words 'moral turpitude' also added there. The question here is merely one of reposing some trust in a man, and it is in the interests of the cashier of the trust that the trustee must not be a man in whom an ordinary trust cannot be reposed. I would therefore request that my amendment may be accepted in that light.

Then, there is an amendment with reference to the age of directors, namely amendment No. 518. This is to clause 279. The other amendment which I have got in my name to clause 280 is merely a consequential one. I shall first refer to the main amendment which is the same as the amendments of my hon. friends Shri Tulsidas, Shri G. D. Somani and others.

In clause 279, we have put down the age limit for a director at 65. At the same time, we have put down in clause 280 that—

> "Nothing in section 279 shall prevent the appointment of a director who has attained the age of sixty-five years or require a director to retire who has attained that age, if his appointment is or was made or approved by a resolution passed by the company in general meeting and specifically declaring that the age limit shall not apply to him."

So, at one stage, we want to put a particular check, and in the same breath, we say that that provision shall not apply if a particular mode of decision is resorted to.

Shri C. D. Deshmukh: Different breath, not the same breath.

Shri U. M. Trivedi: I agree with the Finance Minister. We have to take two breaths, for the sentence is too long

When we say that he shall not be considered fit after the age of 65, then we follow the rule that obtains in the whole of our country, namely that all government servants are retired at the age of 55 or 60, that judges of the High Court, will be retired at the age of 60, and that judges of the Supreme Court will be retired at the age of 65 and so on. These rules are very good, I should say. But then in the case of the judges of the Supreme Court or the High Court, it is because the duties to be performed by them are very onerous, and there is too much of real brain-work, that they are retired at those particular ages. But that is not so in the case of these directors.

Shri M. S. Gurupadaswamy: Can they endure physical strain?

Shri U. M. Trivedi: The directors have no physical strain. You have not been a director, and that is why you do not know.

We cannot place these directors at the same level as that of the High Court judges or the Supreme Court Judges. If a businessman can be acceptable to the persons for whom he is working, and for whom we are making this provision saying that they shall have the power by a general resolution to allow him to continue t work, I see no reason why we should put a check on him at the age of 65 In the English law, the age limit is put down at 70.

Shri K. K. Basu: But there, the judges are retired only at 72.

Shri U. M. Trivedi: There, the judges cannot be retired.

Shri K. K. Basu: That is only for High Court judges. What about the Privy Council?

Shri U. M. Trivedi: In England, a judge remains in service until he dies.

Shri K. K. Basu: You are mistaken. Under the new law, that has been changed.

Pandit Thakur Das Bhargava: What about Ministers?

Shri K. K. Basu: Ministers' qualifying age is 60.

Shri T. S. A. Chettiar (Tiruppur)· But he is elected every time.

Shri U. M. Trivedi: Here also it is a question of being elected only, and not being selected. The directors also will have to be elected. Here, it is not an ordinary election but an election by

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a compact body of persons who have got something at stake. It is not a question of anybody coming in and voting without doing anything. The person who comes and votes has got something at stake. Therefore, if he chooses to elect a particular person and keep him on, then he must be allowed to do so. My amendment seeks to raise the age limit only up to 70 years, and if the House agrees, then there should not be any difficulty in accepting what I have stated.

Shri M. S. Gurupadaswamy: Have not all of us been elected by blind vote?

Shri U. M. Trivedi: You may decide for yourself. I cannot accept that proposition.

Shri K. K. Basu: It depends on the voters.

Shri U. M. Trivedi: My point is that the question of age limit shall not apply in the case of companies.

Mr. Deputy-Speaker: The general body can waive it.

Shri U. M. Trivedi: That is what I say. If we are allowing the general body to waive it, then there is no necessity for making this provision here.

Mr. Deputy-Chairman: The person who pays or who holds the shares is entitled to have his man.

Shri U. M. Trivedi: That is precisely my submission. The whole question is this. Here, it is not a check which we can apply as under the Fundamental Rules or the Civil Service Regulations or anything of that kind. Therefore, to put it down as a rigid check in this clause seems to be redundant. After all, we are doing it in the interests of the shareholders in general. If the shareholders in general decide to keep a man on, notwithstanding this provision of law, then this provision becomes superfluous. It becomes surplus. Therefore, no such provision is at all necessary.

Further, we are providing for a special resolution being passed in this regard. Why do we want such a provision here? It is because we want to provide for a person being removed at any age, or to provide for a person being kept on above a particular age. So, the age limit that is desired to be put here is not necessary.

If, however, the age limit is to be put, then let it be put in such a manner that a director will be able to continue till the ripe age, so that he will be able to give the benefit of his experience to the company. And there is nothing wrong if he is allowed to remain in office up to the age of 70.

Shri N. P. Nathwani: I rise to speak on my amendments Nos. 227, 228 and 229 to clause 264. Clause 264 as it stands gives option to a company to provide for the appointment of two-thirds of its directors according to the principle of proportional representation. Our amendments seek to make the clause compulsory in this way, namely, that two-thirds of the directors should be elected compulsorily by the principle of proportional representation.

In the course of the debate on the motion for consideration, several Members, both on this side and on the other side, have supported our amendments. A few hon. Members have opposed it, particularly Shri Tulsidas, Shri Bansal and Shri G. D. Somani. I have carefully gone through their speeches and I am more than ever convinced that the solution to the difficulties and vices which have crept into the present management of companies is only through the adoption of our amendment. I shall presently deal with these speeches, but before I do that, let me say that in moving our amendment, we are not guided by any doctrinnaire enthusiasm for the principle of proportional representation. We have moved our amendment in view of certain features which prevail in our company management today. One of the salient features of our corporate finance is that there is concentration of voting power in the hands of a few individuals or a group of individuals. That enables them to secure a majority of vote at the time of the election of the directors. It is common ground that abuses and malpractices have disfigured the history of company management during the last several years. Having regard to these two facts, it seems to me that a solution can be found by electing directors according to the principle of proportional representation. Some Members are apt to think that by mending or ending the managing agency system, these abuses and malpractices can be done away with. But as the Finance Minister pointed, it is not so. He posed a question. I shall read out a passage from his speech:

> "There is another general observation I would like to make and that is, in trying to come to a verdict on different forms of management, hon. Members should not be carried away by the historical perspective alone. What I meant was, if they find a long catalogue of evils, shall we say, being traced to managing agents, they should consider whether the same evils would not have flowed even if there had been no managing agents. That is to say, there are certain forms of abuse which could, in the same circumstances, have been practised even by boards of directors or by secretaries and treasurers etc."

I respectfully agree, and I am of the opinion that if you do away with the managing agency system, in certain circumstances these abuses would appears even if you have got a company controlled by the board of directors, because under the system of voting, when there is a concentration of power, they get the entire board filled up by their nominees and if opportunities occur and as all habits die hard, these vices would reappear. But I do venture to suggest that if you adopt this principle of election, there is a possibility of curbing substantially or very largely these vices, and for this reason: there would be representatives of minority groups on the board who would be associated with the working of the management, who would have inside information and who would be able to ask their co-directors on the board about the various transactions which might be of a doubtful or dubious nature. As far back as 1936, the Congress Party through its doughty champion—I mean, the present Home Minister—had moved an amendment similar to the one which we have moved.

Shri K. K. Basu: He was not in office then.

Shri C. D. Pande: According to that principle, the hon. Member would also be in office.

Shri N. P. Nathwani: I venture to say that if at that time, that amendment had been accepted, it would have secured the election of independent members on the board who would have been able to curb the evil propensities of those who were in charge of the management. Instead of that, what has happened is this. It is necessary to trace here the several changes which have taken place in the structure or composition of the board of directors from time to time. At that time—I think it was in section 83B—a clause was added whereby it was provided that two-thirds of the directors will be members who will retire by rotation and who will be re-elected......

Shri C. D. Pande: One-third.

Shri N. P. Nathwani: At least, two-thirds of the number of directors would be elected by rotation. At that time, it was thought that this would secure the representation of independent members on the board, and a very confident assertion was made by the special officer in charge of company law then that thenceforward it would not be possible for the majority group to swamp or pack the board with its nominees. If anyone has any doubt on this point, I will invite his attention to page 63 of the Bhabha Committee's Report. Unfortunately, the expectation was not realised. The expectation was

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that these members would be able to function as independent members on the board. We know by this time that that hope was belied, and even now, as the Bill stands, I am afraid, it would not be possible for us to secure the presence of independent members on the board.

I will come presently to the suggestion or the assertion made by Shri Bansal that some departure has been made in the present Bill which would go to secure the presence of independent members.

I do not want to repeat the arguments I had advanced on an earlier occasion, but I would like to examine some of the objections which have been raised to our system. The hon. Finance Minister said that this was a new experiment and we should wait for sometime more till some experience had been gathered of the working of this system of cumulative voting. I am afraid if the matter were to rest at that, this system would not be given effect to. If anybody has any doubt on this score, let him read the speeches delivered by Shri Bansal and Shri G.D. Somani. They have categorically denounced this system of cumulative voting as disastrous and as dangerous. If they are representatives of their trade and industry—which, I think, they are—this system is not going to be worked out by any member of that class. There is no doubt whatever in my mind about that, and I am afraid that even within the next five or ten years, we would not have gathered sufficient experience of the working of this system to enable us to judge of the merits or demerits of this system.

Shri Bansal: Even the shareholders do not want it.

Shri N. P. Nathwani: I am coming to that. My friend will be patient for a minute. I would say that my friend has ventured where a wise man would fear to tread. The hon. Members do not say whether this system of proportional representation would be suitable in certain types of companies or not. There is wholesale condemnation on their part of this system.

Then another objection raised was that there was no corresponding or analogous provision in U.K. I have pointed out how the conditions are wholly different there. There is lack of concentration of shareholding in the hands of a few individuals or groups. I quoted figures from the Cohen Committee's report to show that there are numerous and small shareholdings and that the management of the companies by far and large is honest and efficient. If we had similar circumstances here, no one would come forward to suggest this method. But every country has to take into consideration its local situation and circumstances. From certain information that I have been able to gather, I find that in several States of U.S.A. there is the system of one person or group of persons holding large parts of the share capital and that seems to be the reason why this system of proportional representation has been adopted by those States.

I come now to the speech of Shri Bansal. He asked why has not the Shareholders' Association, which is ever vigilant in safeguarding the interests of the shareholders, come forward with this suggestion of proportional representation. I do not want to repeat what I have already said. I only ask why he is not more or better informed about this position. In a memorandum which was submitted to the Bhabha Committee, I gather, they had suggested this. But, whatever their attitude might have been in the past, they have clarified their position, presumably under the provocation of Shri Bansal's speech. I have got a copy of the letter written by the Bombay Shareholders' Association addressed to the hon. Finance Minister along with a covering letter.

Shri C. D. Deshmukh: Copy of the letter sent by the Association today.

Shri N. P. Nathwani: I understand it had been released to the Press also—a gist of the resolution or the letter which they have addressed to the hon. Finance Minister.

Shri C. D. Deshmukh: Again released by the Shareholders' Association.

Shri N. P. Nathwani: Yes; that is so.

Mr. Deputy-Speaker: Is the receipt of this letter denied by the hon. Minister?

Shri C. D. Deshmukh: No, Sir; but I did not give way, that is all.

Shri N. P. Nathwani: No; I have received it directly from the Shareholders' Association. My learned friend Shri Bansal will follow it patiently.

> "My Committee is of the firm opinion that electing directors is the key to the reform of the company law particularly because the directors occupy a central and key position in the working of the company and are real and final authorities.' We firmly state that the reform in electing directors by compulsory proportionate representation by cumulative voting is necessary and in the interests of honest and efficient working of the company management. Section 264 provides for option to the company to adopt proportionate representation for appointment of directors. This clause instead of being permissive should be made compulsory."

They have underlined this sentence.

> "My committee is of the firm opinion that if this clause is allowed to remain optional in the hands of the management, the principle of election of directors by proportional and cumulative voting will never be adopted by any management. We feel certain that the very presence of representatives of minority shareholders as directors will be an effective check on the misuse of powers by the directors of the majority groups and such minority directors will be in a position to furnish, if necessary, to the Government dependable information for exercising the powers given to the Government for the purpose of protecting the legitimate interests of the shareholders."

So it disposes of the argument raised by my friend Shri Bansal.

Shri Bansal: No; it does not so easily; I will come to it.

Shri N. P. Nathwani: Yes, you can deal with it. I will wait for it.

Then, it was suggested by the hon. Member that under the existing Bill provision had been made which would secure the presence of independent persons. I think he has in mind clause 260 which prevents certain persons from being elected as directors. But, there is a serious lacuna in clause 260. It does not include the class of associates and it is, therefore, possible for the managing agents to get one of their associates elected on the board. I hope this House will fill in this lacuna and will add the category of associates in the list of persons who cannot be appointed as directors except by a special resolution passed by the company. Even after that is done I do not see any difficulty in the managing agents swamping or packing the entire board with their nominees. They themselves can be elected to the board and there is that ubiquitous fellow, the *benamidar* always willing to be obliged and abliged the managing agents and that is why we have made provision in this Bill that in taking into consideration certain circumstances, persons according to whose instructions the directors or other persons are accustomed to act should also be taken into account.

Now, I come to the speech of my friend Shri Somani. He straightaway starts by assuming that if you introduce this principle of proportional representation there will be quarrels and that it would result in a deadlock. I say that this is a very naive assumption on his part and in order to prove his point of view he vaguely referred

[**Shri N. P. Nathwani**]

to certain companies where there were disputes between directors. Now, it is common ground—we do not know the exact nature of these disputes—that all these directors were not elected according to the principle of proportional representation. For aught I know these disputes were as a result of the disputes between the members of the managing company itself. But, I shall leave this point to be dealt with by my friend Shri Morarka as he is supposed to know more about this point.

Mr. Deputy-Speaker: More about disputes among the directors?

Shri N. P. Nathwani: The hon. Members referred to certain cases. They also stated that Shri Morarka knew all about them. That is why I think it would be better for him to take up this point. But one thing is certain namely that these directors were not elected on the principle of proportional representation and therefore that does not furnish us any guide or analogy. There are bound to be quarrels sometimes. We do not know the exact circumstances when they were fighting amongst themselves, whether they were fighting for the distribution of spoils or what was the reason.

Mr. Deputy-Speaker: Why not the hon. Member say that to get rid of these quarrels proportional representation may be adopted. They tried one method and there are quarrels and let us try another method.

Shri N. P. Nathwani: Yes, Sir. I thank you for your valuable suggestion. That is a further argument.

Then, Shri Somani suggested that it is superfluous and he summarily and cheerfully dispenses with this principle, by saying that if there is harmony in the members of the directorate then it is unnecessary. If there is difference of opinion or some quarrels among the directors, then it is disastrous. Therefore it should not be worked out. I say that this is a very facile way of arguing that. So far as the interests of the company are concerned, these persons are bound to take a common view. It is only when extraneous circumstances arise that the majority group tries to take undue advantage or to enter into secret transactions or shady transactions and receive some secret profit, that these persons would like to exercise some check and would try to pull them up, and ask for information. If they cannot prevent it they can bring it to the notice of the shareholders.

Then he suggested that it would lead to a complete deadlock and the day to day management would be paralysed. I think this is an erroneous assumption because the directors are not concerned with the day to day working. They have merely to lay down the broad principles of policy, leaving the day to day affairs of the company in the hands of the managers or managing directors. Therefore, there should be no apprehension about this. Suppose that some director makes a nuisance of himself, even then there are some safeguards provided under clause 283 where power is given to the company at a general meeting to remove such a director. Why should any honest management be afraid of having some members on the board who may bring to bear independent judgment on the questions involved?

Shri Bogawat (Ahmednagar South): Honest people are never afraid.

Shri N. P. Nathwani: They should not be.

Shri Tulsidas: May I ask whether under clause 283 a director can be removed if proportional representation is put in?

An Hon. Member: Surely he can be removed.

Shri N. P. Nathwani: Under proportional representation, how can it be done? I will invite my hon. friend's attention to that very clause, clause 283, and that can be done by passing a resolution.

Shri Tulsidas: Does he want that also to be kept?

Shri N. P. Nathwani: I would say "by special resolution". Whether you accept that or not, it is for you to decide.

I cannot envisage the probability. I am merely saying that it would be better to have a special resolution in that case. But still power is given to those who can command 75 per cent. of voting strength to remove him if he makes a nuisance of himself and in that case all the other directors can approach the company, can show, illustrate and demonstrate his faults and get rid of him.

Shri C. D. Deshmukh: But if no one has more than 10 per cent.?

Shri N. P. Nathwani: Others would join. Even if 75 per cent. voting strength is concentrated in three or four blocks, they will come together. If a man is persistent in following a policy or conduct which is detrimental to the interests of the company, one man need not own 75 per cent. of the votes, but others would apply their minds and say that that man should be removed. I know actually of a case which happened. An over-enthusiastic director used to go to the officers of the company, ask them for information, ask them for the files of the company and began to interfere in the day to day working of the company. The board of directors held a meeting and advised him not to apply for information direct to the officers of the company and asked him to send for such information through the board of directors. This put an end to his nuisance.

An Hon. Member: Officiousness.

Shri N. P. Nathwani: Whatever information he wanted was being furnished to him but only through the board of directors, so that while he continued to enjoy his powers as a director, there was no disturbance in the working of the company. These are simple expedients by which all sorts of unnecessary disturbances can be stopped.

Mr. Deputy-Speaker: The objection to proportional representation is on the ground that he cannot be removed under clause 283. There is an option given now and it is open to the company to select the directors. It is open to the company to adopt one or the other method. If they adopt the proportional representation method, even then this objection holds good. That means, even when it is not made compulsory, there is difficulty. But how can this difficulty stand in the way of making proportional representation compulsory? I understand from what Shri Tulsidas said that these people cannot be removed. They can be removed under clause 283. In a case where it is only by the majority vote, his objection will stand. But if proportional representation can be had as an option, then clause 283 is the only clause which provides for removal of directors. Therefore, this is not an objection to be raised against the proportional representation method being made compulsory. Shri Tulsidas's objection holds good, whether it is compulsory or optional, even in one out of 100 cases where by means of proportional representation a director is appointed. Therefore, it cannot be an argument against the amendment that instead of being optional, it should be made compulsory. I am not able to follow how this is a difficulty in the way of making it compulsory. If it could be got over, if it is not a difficulty where an option is exercised, then it cannot stand in the way where it is made compulsory.

Shri Tulsidas: What I wanted to tell him was that if it is made compulsory, under clause 283 it is not possible to remove him.

Mr. Deputy-Speaker: Let us assume that the company adopts proportional representation. What will the hon. Members do? Let us assume that the Bill stands as it is but that the option is exercised by the company. Still the difficulty arises. Even if it is optional and if a single company out of 100 companies exercises the option, the

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difficulty arises. Therefore, this difficulty cannot stand in the way of removing the option and making it compulsory. An argument may be an argument irrespective of the case. As it stands, the same difficulty arises and therefore it is not an insuperable argument.

Shri N. P. Nathwani: My friend, Shri Somani, said and I will read out the exact portion of his speech:

> "My hon. friend Shri N. P. Nathwani himself gave the example of a coalition government."

I did not give the example myself but I said of those who criticised our system by referring to this example.

> "We all know how the Congress-Muslim League coalition fared for the short period that the country was ruled by them."

I tried to show that such an analogy was uninformed and even ridiculous because there was no common loyalty between these two parties. Still this is what my friend, Shri Somani, said.

> "It might be said that this was a political question. But apart from its political aspect, the fact remains that the Muslim League also swore allegiance to the country as much as the Congress, and they also said that it was in the country's interests to act in the manner they did."

Nothing of the kind. They did not believe even in the unity of an undivided India. They said that they wanted a separate nation, a separate State for themselves and there was no unity of purpose. Therefore, this analogy is highly misleading.

I may sum up the position by saying that while we want the right of decision by the majority, we want representation given to all parties concerned, because it will keep out the demon of monopolisation which is at the root of present malpractices and abuses. No one can know how the business is run, and what manipulations and acts of nepotism occur.

I have moved an alternative amendment and that is amendment No. 550. If our present amendment is not acceptable to the House, at least extend this principle of proportional representation to private limited companies. You know that private limited companies are in the eye of the law quasi-partnership firms. It is for the sake of convenience that a firm converts itself into a private limited company. But otherwise there are certain families or friends who among themselves own the entire capital of the company. In partnership, however small his share might be—it may be half an anna or even less—one is entitled to take part in the deliberations of the firm. He has also access to the books of account and ask for such other information as he thinks necessary. Therefore, I feel that so far as the composition of the board of directors of private limited companies is concerned, we should adopt this principle of proportional representation. Many instances come to my mind where one group owns as much as 40 or 49 per cent. of shares; still they have not got any voice in the management. They do not know anything about the work; they are being kept at arm's length. That is not a state of affairs in which we can easily acquiesce. If the first amendment is not acceptable at least they should consider seriously about the other amendments namely 550 and see whether it cannot be accepted by the House and by the Government.

Shri Morarka (Ganganagar-Jhunjhunu): I wish to begin my speech with an apology to the House for tabling so many amendments to the clauses which are under discussion. But most of the amendments that I and my friend Shri Nathwani have tabled are simply drafting amendments and there are only few others which are substantial. For instance, amendment No. 421 is one which concerns clause 260. It deals with the appointment of directors who are associated with the managing agent. It is said in this clause that persons who are connected with the managing agents should not be appointed directors by a simple majority but for their election they would require 75 per cent. majority i.e. a special resolution. So far so good. But my point is that this clause is not comprehensive enough and in order to make it comprehensive we must include all the associates as we have defined in clause 2.—Any associate of the managing agent—who seeks election for the post of a director, must be brought within this class and elected only by a special resolution. An individual who is an associate of the managing agent should have no right to be elected by an ordinary resolution. Unless we do that there is a serious lacuna left in clause 260 with the result that the boards will continue to be filled with relatives and friends of the managing agents. They may not hold an office of profit but at the same time, they may be their brothers, children or other relatives. Hence I request the Finance Minister to give serious consideration to this amendment and see if that could be accepted.

Mr. Deputy-Speaker: Was it omitted deliberately or inadvertently?

Shri Morarka: Sir, I think inadvertently. The idea is that persons who are associates or friends of the managing agents should not get on the board without a certain majority—without a special resolution. An ordinary majority would be enough only for persons who are not associates or relatives of managing agents.

Next I come to clause 264—proportional representation. In the first place, I am very happy to find that in this House there is a very large measure of support for this clause. About fifty persons took part in the debate on the general motion. More than half of them supported this idea. Some have said that it might be permissive, in the present form. Others said that it should be made mandatory. Some hon. Members have opposed and very few, vigorously.

Shri Bansal asked me a question. In all his humility he posed a question to me. He said: "Have shareholders ever asked for this type of representation? Have they even asked for the amendment of the method of election in this way?" His claim is that he has read the memorandum of the shareholders very carefully. His next claim is that he had worked personally with Shri Kapadia and he claimed to know much better than anybody else. I would leave it to the House to judge how far their claims are proper. For the information of the House I give only two or three quotations from the memorandum which the shareholders Association submitted to the Bhabha Committee. Shri Nathwani did make a reference to this in a cursory fashion but he left it for me to go into it in detail which I do now.

The first reference is at page 188 of the Report of the Company Law Committee—Written Evidence. Volume I (Part I). The relevant passage from the Bombay Shareholders' Association's memorandum is:

Shri Bansal: By whom is this representation?

Shri Morarka: The Bombay shareholders' Association. They say:

> "In a country like India where the Managing Agent holds a most dominant position *vis-a-vis* the concern under his management the above problems have a special significance in that they point to the great necessity of making directors independent of the Managing Agent so that they could really control the affairs of the companies on behalf of shareholders whom they profess to represent. It follows that shareholders in India will have to be provided with facilities to appoint their chosen representatives on the Board. In other words, it would be necessary to modify to a certain extent the present system under which directors are elected.

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> This point has been dealt with in Book No. II, and we hope to revert to it in our comments on Annexure VII relating to Directors."

The next reference to the same point is at page 197: these are long passages and so I will not tire the House by reading them. But I must invite the attention of the hon. Member to this which I do hope, he would some day or the other find time to read. I shall read only two or three lines.

> "It is this which has made the Directors subservient to the will of the Managing Agent. This is borne out by the fact that whenever the management of a concern has changed hands, the old Directors left leaving the newcomer to choose his own Directors."

Before I finish with this book, I must give one more reference that is on page 225. Here they have clearly said:

> "Constitution of Directorates on independent lines is the very essence of company law reform. The present conditions are not conducive to the attainment of this objective."

Then they go on to suggest three must give one more reference that is proportional representation.

In the debate of 1936 to which a reference was just made, the Association had gone in great details. They quoted Pandit G. B. Pant who moved that amendment and argued the case very ably. They said that proportional representation method was the very essence of constituting of board of directors on independent lines and unless it provides an independent board any other type of reform in the Company Law is not possible. So, the very basis of Company Law reform according to them was constitution of independent board of directors. Unless the Board was an independent body free from the control of the managing agent and free from any majority group, it would always play in the hands of those pepole and whatever one wants would happen in the company.

I must inform the House of the main difficulty that was faced at the time when the amendment was moved by Pandit G. B. Pant in 1936. The difficulty pointed out was that the system of proportional representation was said to be a little complicated one. It was characterised as little cumbersome and not simple to understand. But, you will notice that in clause 264 which is before you we have said "according to the principle of proportional representation, whether by the single transferable vote or by a system of cumulative voting." The cumulative system of voting is very simple. It has the merits of proportional representation and at the same time it has another merit of being simple. This system of cumulative voting is followed in 48 States out of 51 in America. In some of the States, I admit, it is not compulsory and in other States it is mandatory. Cumulative voting system is a simple system. There what happens is that a shareholder is allowed to cumulate his votes. That is, for example, if a shareholder has ten votes and if ten directors are to be elected, then the number of votes can be multiplied by the number of directors to be elected and thus the total number of votes in this case becomes 100. These 100 votes the shareholder can cast in favour of one single director or he may distribute them in whatever manner and proportion he likes and among as many directors as he likes. Therefore, the result is that, if there are 10 directors to be elected on a board, and if there is a group of persons or a single person holding one-tenth of the share capital of the company he is sure to have one representative on the board of directors. For this reason, this system was considered more democratic, it was accepted and it is growing fast in the United States of America. It would certainly require some hardihood on the part of hon. Members here to suggest that industrial progress or company growth in America is less than what we have or anticipate in this country or for the matter of that in any other country in the world.

Before I give you instances of other countries where a certain definite number of shareholders or a group of shareholders is entitled to nominate directors, I would like to invite your attention to the few references or a few quotations from the debates of this House in the year 1936. Sir, I cannot do better than quoting a few of the quotations of those days because the arguments advanced against proportional representation today are the same as were advanced at that time.

To begin with I must inform the House that at that time three amendments were moved all to the same effect one was moved by Shri Satyamurti, another was moved by Babu Baijnath Bajoria and the third was moved by Pandit Govind Ballabh Pant. All these members were of the Congress Party and the Congress Party had supported these amendments very vigorously. Among the persons who supported, the amendments were Shri Satyamurthi, Babu Baijnath Bajoria, Shri N. M. Joshi, Shri Asaf Ali, Muhammad Nauman, Pandit Govind Ballabh Pandt and one or two others.

Shri C. D. Pande: Shri Baijnath Bajoria was not in the Congress at that time.

Shri Morarka: I am sorry. I stand corrected. But, the House would be interested to know who were the persons who opposed proportional representation at that time. One was Mr. Griffiths, another was Mr. F. E. James, a third was Mr. Akhil Chandra Dutta, a fourth was Sir Cowasji Jehangir and then Mr. M. S. Aney. Sir H. P. Mody who was sitting in the House at that time interrupted the speeches of Pandit Govind Ballabh Pant and others as some of my hon. friends do here.

Shri K. K. Basu: Possibly, occupying the same side.

Shri Morarka: He used to interrupt: "What about homogeneity; what about management; what about this and what about that?" The only argument was that if you give representation to minority shareholders then the director would come on the board and create trouble. Therefore, they said, "Do not give any representation to the minorities but allow us to carry on as we like. We would look after your interests and everything would go on smoothly." That was the whole argument at that time. Shri Satyamurti and others have answered these points and I would crave your indulgence to give you a few quotations from the debate of those days because I cannot argue the case of proportional representation in better terms than what those hon. Members, whom I have the privilege to quote this afternoon, have done.

The very first quotation I want to give you is that of late Shri Satyamurti. It is on page 1199 of Volume VII of 1936. What he said is this:

> "I want to conclude on the merits. I want to put it to my Honourable friends who believe in democracy that this democracy is doomed to failure, unless you provide ample opportunities for minorities to make themselves felt and convert themselves into majorities. You cannot tolerate any system of democracy, where a perpetual majority will always rule. I, therefore, believe I am right in saying that, as against a tyranny which is not a mere theoretical tyranny but quite a practical tyranny in the case of companies where managing agents control the bare majority of shares, we must give a chance to the minorities to get their representatives properly elected; and I want to conclude by saying it is not against the smooth, or the harmonious, or the efficient working of companies, because even bare majority will get under my system adequate representation on the board. It will ensure harmonious working; it will ensure repre-

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> sentation to minorities; and I think, on the whole, it is consistent with the most advanced notions of democracy in the world today. I, therefore, beg to commend my amendment to the acceptance of this Honourable House. I move."

That is what late Shri Satyamurthi said. Then I give a quotation from the great labour leader Shri N. M. Joshi. He said, on page 1417 and 1418 of the same volume:

> "I have absolutely no doubt in my mind that although the shareholders may be unintelligent, ignorant and unorganized, there will be many occasions on which they will be able to secure proper representation on the directorate if they follow the proportional method of election."

Then he goes on to say:

> "Mr. President, I am one of those people who feel that democracy is good not merely in politics, it is a principle of life. (Hear, hear.) It is a principle which we must observe in all human affairs. Unfortunately, Sir, there are men who do not believe in this principle of democracy......"

Shri S. S. More (Sholapur): Hear, hear.

Shri K. K. Basu: We are their close neighbours.

Shri Morarka: This is what Shri N. M. Joshi, said. Then I will give you a small passage from Shri Asaf Ali's speech on page 1416 of this volume.

Shri T. S. A. Chettiar: How many more quotations?

Shri Morarka: Well Mr. Chettiar you must put up with me for some more time.

Mr. Deputy-Speaker: They may be treated as read.

Shri Morarka: I am greatly obliged to you, Sir, for this suggestion; but my difficulty is that so far as I am concerned it may be taken as read, but what about the hon. Members here?

Shri K. K. Basu: You should pass on to the relevant point.

Mr. Deputy-Speaker: Everybody knows about the general discussion on the principle of proportional representation enabling groups to come in. The question is whether in a company some other person should come in. One view is that he will disturb the affairs of the company and another view is that majority alone should not rule perpetually. Whoever has been in politics knows what proportional representation is. We know that universities have not come to grief even though they have adopted this principle. But the question may be different in companies where there is more money. Universities have no money. These are all points that we know. We know how proportional representation will enable some people to come in and how the other system of cumulative voting will work. All these things need not be said.

Shri S. S. More: By quoting past declarations he is trying to point out that the Congress people have no right to change their views.

Shri C. D. Pande: They are progressive; they can change.

Shri Morarka: Shri Asaf Ali was answering a point. It was suggested to him that once we adopt the proportional representation method there would be intrigues and that people would only try to collect votes and they would spend all their time fighting elections and the business of the company would suffer. He very ably answered the point and said that human nature being what it is, intrigues are bound to go on; whether you have a majority or a minority, whether you have proportional representation or whether you have any other form, as long as there are human agencies involved, as long as there are people who have to fight elections, the intrigues are inevitable. That was his point. That answers all the criticisms of some of the friends.

Now, I shall come to a very small quotation from Pandit G. B. Pant. The hon. Member from Bhandara, Shri Asoka Mehta, also quoted a piece from Pandit G. B. Pant. I would like to give another one from Pandit G. B. Pant. This is what he said on that occasion:

> "Now, Sir, we have these hard facts facing us. One is that the managing agents have the sole charge in the management of the affairs of the company, the second is that the legal ownership of the company vests in the shareholders and ultimately the advantage or the disadvantage accrues to them. Thirdly, the Board of Directors who alone can look after the interests of the shareholders, at least to a partial extent, are no more than nominees of the managing agents and their creatures. What is the remedy? How are we going to get over these difficulties. I may also tell the House what the Tariff Board said:" etc.

Then ultimately, he suggested that proportional representation method was the only method which can solve this problem and which can ensure the appointment of independent directors on the board.

Now, there is one quotation which I quote from the Law Member of those times. It is very important because he quotes Pandit Jawaharlal Nehru. That quotation is found at page 1446. This is what he said:

> "Pandit Jawaharlal Nehru, before putting the motion to vote, said, though the issue before the House was small, a great principle was involved".

Mr. Deputy-Speaker: Was he a Member of any other House at any time?

Shri Morarka: No, Sir. Pandit Jawaharlal Nehru had said this somewhere else in some other context, and the Law Member had quoted what he had said.

> "Unless the minority was to be forced to revolt, the representation of minorities by means of proportional representation must be safeguarded. There was, however, no truth in the allegation that the proposed Congress executive aimed at crushing the Socialists."

Shri T. S. A. Chettiar: At the Congress elections.

Shri Morarka: Shri Jawaharlal Nehru had also said that if we want to prevent the minority from revolting, you must safeguard the right of the minority, and the only way in which you can do it is through the proportional representation method.

Now, having said this much on the merits of the proportional representation method, I would like to say......

Mr. Deputy-Speaker: If that is the view, why all this trouble—much ado about nothing?

Shri Morarka: At the time when the hon. Finance Minister moved the motion for consideration he said that when a particular democratic system is suitable for political institution, how could that be unsuitable for the carrying on of the management of a company which is also based on the democratic principle. He said something like that. I do not remember his exact words. Now, it is true that any system under which people can attain office only through a method of election is a democratic system. But the question is, what method of election is more appropriate and under what circumstances, is a question of fact. You know very well that we have in this very House the election of the Public Accounts Committee, the election of the Estimates Committee, etc., which are conducted under the system of proportional representation. We do not have them by a simple majority. It cannot be suggested that those committees are not working harmoniously. But leave that alone. Even when the Select Committee is to be constituted in this House, though there is no election for the appointment of Members

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on the Committee, still, representation is given more or less on the basis of proportional representation method to all the parties or groups in the House.

Mr. Deputy-Speaker: I think we are spending too much time over this matter. The real point is this. It is not as if proportional representation is tabooed. It is optional; the company may accept one or the other. We need not go into the question in all its details, namely, antecedents, speeches, opinions and so on, if we want proportional represenation. So far as the companies are concerned, there is a possibility of one out of a dozen accepting proportional representation. The only point is whether it ought to be made compulsory or not. Leave the point to them. Those who are protagonists of proportional representation may say it is good and that if it is good for X, it must be good for Y, and that therefore it ought to be introduced forthwith compulsorily. Others might say that this experiment may be conducted, and that after a time it will become the rule. One company may accept it, and then a second company follows suit and again a third company accepts it, and so it may become the rule later on. There is opportunity for both the systems of representation. One section may say that they have enough experience of all this and that therefore this system ought to be brought in immediately, and another section would say what is the good of proportional representation, cumulative voting, etc.

Shri Morarka: I am obliged to you for giving me the lead again.

Mr. Deputy-Speaker: It is not for the purpose of the hon. Member starting again!

Shri Morarka: Sir, the point is this. As you said, the point is whether this system should be made optional or mandatory. My point is, if this system is allowed to remain in the permissive form, then no company will adopt it with the result that this provision would remain only on paper. If you heard the criticism in this House against the system, you may remember what they said—that the system of proportional representation, with all its advantages, should not be accepted at all for the purpose of the company law. They went to the very root of the system. I had to deal with this aspect in detail even at the risk of tiring your patience, only to bring home the argument of the people that proportional representation is the only solution for formulating the company law in a proper manner and putting comany management on a sounder basis.

In Germany and in Australia, the provision is that if a person or a certain group of persons hold, say, five per cent. of the shares, they automatically acquire a right to be nominated for representation on the Board. If this is done, then that would also meet the desire of the minority representation, and that would serve the purpose of proportional representation in effect.

My friend Shri Nathwani already pointed out that if some director feels that a particular director is not acting in the interests of the company and that he proves irksome to the board of directors, then there is always a remedy under clause 283. In any case, the decision at the board meeting is always by a majority. So, the company's work could never suffer. One or two directors may be there and they may write their protest, but the actual business of the company would be carried on, and we have no evidence that any such hardship has occurred in America where the system is adopted for the last 50 or 70 years.

I shall now leave the question of proportional representation and say a few words about clause 283. Clause 283 is for removing a director from his office. Till now, for removing a director, we have to pass an extraordinary resolution. An extraordinary resolution means a special resolution.

Now, we are changing it and we are saying that a director can be removed by an ordinary resolution. On the face of it, it appears as if we are giving more powers to the shareholders. In a country like the United Kingdom, this is the position. There, the Cohen Committee recommended it and it was accepted that the director should be removable by an ordinary resolution. But for this country, this provision is going to be a fatal one. I shall tell you how. When once a director is appointed, he would have no security while continuing in the office even for one year or for two years, because he knows that he can always be removed by a simple majority, by an ordinary resolution by the person who controls the affairs of the company. There is ample evidence here to show that the controlling interest is always held in every company by the managing agent. If that becomes so, there would be no question of any person remaining independent. They would also become subservient to the wishes of the managing agents because they would be afraid that if they exercise their independence, they would be thrown out by the managing agents by a simple resolution. Therefore, even though these provisions may prove useful in England and other countries, in this country under the present circumstances we must retain the existing provision, namely, that a director can be removed only by a special resolution; otherwise this may create endless trouble and in our anxiety to reform the company law, we may actually do some harm to the cause.

Shri Tulsidas: I would like to speak first of all on the amendments I have moved. I have suggested two amendments Nos. 578 and 579 to clause 252 and I would like the hon. Finance Minister to consider my amendments carefully, though he is not present here.

As regards clause 252, this is a very small one and it says that only individuals should be directors. The provision requires that only natural persons shall be appointd as directors. The Bhabha Committee had recommended its inclusion in our law, though it admitted that "a body corporate can stand in fiduciary relationship with another". The main argument for the recommendation is that it is certainly better and more convenient that a director should be a natural person. In practice also, it is desirable that one natural person should be director rather than a variable representative of a body corporate. That was the recommendation of the Bhabha Committee. My point is that neither of these arguments is sufficiently forceful to justify a departure from the accepted practice in U.K. and other countries. Even in our company law, managing agents who may be firms or a body corporate are allowed to nominate directors. Even a body corporate or association has to act through individuals. In my opinion, these arguments about the necessity for a natural person acting as director have little relevance. We have also provisions in this law that when a particular bank or even a financing corporation lends money to a company, they insist on having one or two directors on the Board. There is also the question of nomination of directors by a corporate body. Suppose a person represents a particular corporation, then he has to resign by rotation and then he has to be nominated again. If a body corporate itself has the right to appoint a director or if a body corporate is to be a director, then these processes are not called for. That is why I say that it is not necessary in our companies to insist that only natural persons should be directors.

Then, I come to clause 258. I oppose this entire clause as a whole. I would like to read this clause:

> "In the case of a public company or a private company which is a subsidiary of a public company, any increase in the number of its directors, except—

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> (a) in the case of a company which was in existence on the 21st day of July, 1951, an increase which was within the permissible maximum under its articles as in force on that date; and
>
> (b) in the case of a company which came or may come into existence after that date, an increase which is within the permissible maximum under its memorandum and articles as first registered, shall not have any effect unless approved by the Central Government."

Then, there are also clauses 267 and 268. These are all clauses which have been added by the Joint Committee. They were not there in the original Bill. I would like to mention that these are clauses which came into our Act in 1951 by an ordinance on the recommendations of the Bhabha Committee. When this particular Bill was introduced, in the statement of reasons, the following explanation was given:

> "Those sections were not intended to have permanent application, but only to deal with what is believed to be a transitional phase in the management of companies in this country."

This was the explanation given in the original Bill. The Joint Committee which had included this have made the provisions permanent, specifically in view of the continuance of the managing agency system. That is what is mentioned in the report of the Joint Committee. What I cannot understand is this: If these provisions are included because of the managing agency system, then why should you apply them to Board-controlled companies?

Shri Ramachandra Reddi (Nellore): I find that the hon. Minister is busy talking to some other hon. Members; is there any possibility of putting an end to the managing agency system there?

Mr. Deputy-Speaker: The hon. Member feels that the hon. Minister must give both his ears to the speaker.

Pandit K. C. Sharma: He is giving his tongue to them.

Mr. Deputy-Speaker: The half-an-hour discussion scheduled to take place today is cancelled. Perhaps the hon. Member has got some inklings at home and therefore he does not press it. So, shall we sit for half an hour more today and continue the discussion on this group? The time allotted for this is 3½ hours and we started at 5 minutes past two o'clock. We can finish this group if we sit till 5-30.

Shri U. M. Trivedi: No, no.

Mr. Deputy-Speaker: Hon. Members must make up their mind to sit late today or on some other day.

Shri G. D. Somani (Nagaur-Pali). We can sit late on some other day.

Shri U. M. Trivedi: We can sit late after the 5th or 6th.

Shri M. C. Shah: May I suggest one thing? The debate may be concluded today and the Finance Minister may reply tomorrow.

Shri G. D. Somani: No, no.

Shri M. C. Shah: The Finance Minister may require about 40 minutes to reply to all the points that have been raised. We started at about 2-10 and if we sit till 5-10, the debate will be concluded and the Finance Minister may reply tomorrow.

Mr. Deputy-Speaker: If the Finance Minister alone requires so much time, then all the Members together will require more time. I am prepared to allow any amount of time for these clauses, because they are very important.

Pandit Thakur Das Bhargava: Even if this calculation is accepted, the Finance Minister must finish today.

Mr. Deputy-Speaker: I find that these are all very important subjects. As one stage hon. Members cannot come to the conclusion as to which portion is important. They make suggestions to the best of their ability and to a very large extent they are correct. But during the discussions, when we take up particular clauses, we find they are very important. For instance, whether there should be proportional representation or not; wheter minority is going to the background, majority alone monopolises, etc. are all important matters, which have been agitated not today, but from 1936 onwards. There is enough material for this. In these circumstances, I am not prepared to hustle any hon. Member so far as these matters are concerned. I am prepared to give as much time as possible for all views legitimately being placed before the House, though, of course, hon. Members must see that there is no repetition of their own speeches or the speeches made by others. While we are trying to get more time, we must also be prepared to sit some time longer. From the 5th September to the 9th September, every day, we will sit for one hour more. In the meanwhile, hon. Members may go out for tea one after another; I have the least objection. Let us sit longer and finish. Let there be no feeling that in a big matter of this kind, any particular view has not been placed before the House properly. If the hon. Finance Minister wants half an hour, I feel the other Members should have 5 times or 6 times as much time.

Shri M. C. Shah: In that case, I shall take only 20 minutes.

Mr. Deputy-Speaker: So, that is the decision of the House. From the 5th to the 9th of September, both days inclusive, every day we will sit for one hour more

Some Hon. Members: Yes.

Mr. Deputy-Speaker: This debate will go on. I will not now call upon the hon. Minister. Let the entire time today be taken up. Let us see about it tomorrow. But, hon. Members will remember that there are others too.

Shri Tulsidas: I agree with you. I have a number of amendments and I am only elucidating the amendments which I have moved. I was dealing with clause 258. As I said, the Joint Committee has made these provisions permanent specifically in view of the continuation of the managing agency system. My point is, why then are these clauses made applicable to board-controlled companies? As you know, Sir, I have been pursuing this matter from the beginning. In this Bill, so many provisions are made because of the managing agency system. I say, we should allow another system to function in this country. I was told the other day by the Finance Minister, that the water level is the same, but it bubbles in different places. It is no argument to say that no system is required. Either you have a certain system or you allow any other system to evolve. It is no use saying that everybody is bad. If that is so, in every sector there are bad cases. In the services there are bad cases; therefore I do not condemn all the members in the services. So also, in political life, there are bad cases; therefore you do not condemn the whole lot of them.

Shri K. K. Basu: What about Ministers?

Shri Tulsidas: If there is something wrong in a particular system, let us have some other system to function. Let us encourage that system. Therefore I am suggesting that these particular clauses which are meant, as pointed out by the Joint Committee, for the managing agency system, should not be made applicable to those companies which are not managed by managing agents or secretaries and treasurers. That is my amendment.

I find here that these are temporary powers. It seems to me, once Government takes powers, though they may be temporary, may be because they like to have more powers, they like to make them more and more permanent and they do not try to get away those powers. The situation has

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now changed: the conditions are different than what they were before. Why carry on these powers and create a feeling which is not good to the harmonious working of the companies? We have clauses 258, 267 and 268. In the articles you have provided for a certain number of directors. Even if it is provided in the articles, you have to go to the Government for approval. Even if there is a special resolution and 75 per cent. of the people have voted for a particular thing, you have to go to the Government for approval. Even the voice of the shareholders is not counted. It is not a big question here. Let us apply these clauses to companies which are managed by managing agents: Let us not apply them to companies which are not managed by managing agents or secretaries and treasurers.

Whenever I say a particular thing. I am told that I belong to an ancient regime or I am a die-hard. My only reply is this. In this particular argument, I am trying to diffuse the different powers from the Government. I am trying to build up something which will not create, as I said the other day, a bureaucrat's paradise or a lawyer's delight. If that is going to be die-hardism, whatever my hon. friend here said, I am sorry to say, he talks absolutely like a long haired professor who creates figures in order to find out something for his argument. He was discussing about directorships. He was analysing so many directors managing so many companies and the average is 7 in England. I cannot imagine the logic of this argument. You take so many directorships and work out an average, and then apply it to the Bill here. Is it professorial logic or anything else? What is there in that logic? It does not convince me at all. Does he realise that a director in England is a whole time person? He is not an adviser. Do you make the same rule applicable to a lawyer or a doctor in this country—that he must not have more than 20 patients or 15 patients, or not have more than 10 clients? After all, a director in this country acts merely as an adviser. He is not a wholetime person in this country. There is the managing agency system in this country which is functioning. These directors are there merely to advise; they are the consultants. You hardly find in this country, whether in business or in the other professions, many men of great eminence. Even if you want a doctor, you have to go to a specialist. You will find that the specialist is working from 9 in the morning till 12 in the night. Everybody wants to consult him: they won't go to any other doctor. Similarly in the case of lawyers. Even in the labour movement, in the trade unions, Shri Asoka Mehta will be required to be there; nobody else.

Shri Asoka Mehta: There is Shri K. P. Tripathi.

Shri Tulsidas: Shri Asoka Mehta would not like to give up his trade unionism to anybody else.

Shri Asoka Mehta: I would gladly give it to Shri Tulsidas.

Mr. Deputy-Speaker: Shri Asoka Mehta only said that he is connected with a majority of the unions. He did not give the number.

Shri Tulsidas: I would like to know what qualifications they have as leaders. They have not any qualification. What is the qualification for the leader of a trade union? I cannot understand this logic at all. There is no use saying that evreything will apply to everybody.

Mr. Deputy-Speaker: Trade unions are not dealing with public money.

Shri Tulsidas: In this case, I was trying to show that you are penalising everybody. I say, try to put up certain companies which are not managed by managing agencies or secretaries or treasurers. Why should you apply all these rigid restrictions to these companies? Is somebody going to manage these companies or not? Are we going to put in more obstacles in the way of management of these companies? Somebody has to manage them. Who is going to manage them? If you do not like a particular system, allow something else to be evolved. Let us try to encouarge that system. We are applying all this rigidity to every company. That is my point. I am pursuing this matter in every clause. Wherever I find that it is possible to relax in the case of companies which are not managed by managing agents or secretaries and treasurers I say at least they must be relaxed.

Pandit Thakur Das Bhargava: Why do you condemn the managing agents?

Shri Tulsidas: I am not . We have got a bias in this House. I do not want to say that. Anyway, that is my opinion and that is what I have been telling all the time.

Let us deal with clause 260. The Company Law Committee suggested that directors as envisaged in this clause can be appointed only when there is a majority of not less than 80 per cent. of the shareholders. The clause is now re-worded by the Joint Committee, but what is the rewording they have put in? Under clause 377 the managing agents have a right to appoint two directors. I can understand that if the managing agents have the right to appoint directors, then you must not allow the other people to become directors, but if the managing agents do not exercise this right or in the case of companies which have no managing agents, do you still insist on the particular restrictions? Even if it is provided in the articles, you cannot increase the number of directors, you cannot reduce the number of directors. What is this I cannot understand. How is the company going to function. Every time you have to go to the Government. Every time you will have to call a general meeting. It is going to be so difficult. You will find that a company will have to call three or four general meetings every year. Every time you will have to send some lawyer to go to Delhi and get the approval of the Government. You can imagine the cost to a person who has to come four times a year to Delhi from Travancore-Cochin.

Mr. Deputy-Speaker: Let us dissolve the concentration of wealth.

Shri Tulsidas: Who is going to suffer? Ultimately, the shareholder. The company will suffer loss of money and the shareholders are going to suffer. As I said even in the consideration stage, instead of having abuses of the managing agency system we will have some other abuses developed in this country, and these abuses will be much worse than what we are having today. It will not only hamper our progress, it will create a lot of difficulties. We want more and more companies to come, we want more and more people to get together and start ventures.

Shri U. M. Trivedi: May I ask my hon. friend to say what will be those new abuses which will crop up?

Shri Tulsidas: It is for his imagination to find out.

Shri K. K. Basu: But what is your ingenuity about it.

Shri Tulsidas: I have been hearing so many friends on my right and on my left talking against this and that. Is there any bar in this country against any one starting any venture or business. There is no bar. Let everyone start it. But people have no capacity to start, and then they start talking against those who do something. They have absolutely no capacity to work. What is the use of saying these things, I cannot understand. Who stops them from starting ventures. There are examples in the world, in this country. People have started from small beginnings and they have gradually put up new ventures. They have been successful and they have also benefited the country. Our only benefit here is talking, that is all. I am sorry to say this, but that is the feeling I have been having.

Mr. Deputy-Speaker: If a gentleman starts a hotel, does he eat away everything?

Shri Tulsidas: Then I would like to make a few remarks about this proportional representation. Under the present Bill we have got this option that companies can put in proportional representation in their articles. Very rightly, the Bombay Shareholders' Association and my friend Shri Nathwani, Shri Morarka and Shri Asoka Mehta said that nobody is going to do it. If it is a good thing, why should they not?

Shri Asoka Mehta: Will you do it?

Shri Tulsidas: It is not a question of my doing it. I would like Shri Asoka Mehta to start a company and have proportional representation, but he will not do it. It is no use saying it, because even today he will put his savings in a company which has got no proportional representation. People here want somebody must give them the money and then they will start. They have no ingenuity or capacity to work by themselves.

About this proportionate representation, I would like to see how it is going to work. Who is the minority and who is the majority in shareholders in general? What is this proportional representation? Who is going to work it? How is it going to affect the voting? Supposing out of nine persons, three persons are elected on proportional representation......

Shri Asoka Mehta: All at a time.

Shri Tulsidas: .... how are they going to function? When two out of these persons retire....

Shri Asoka Mehta: There is no rotation in proportional representation. All at a time.

Shri Tulsidas: Everybody has to be elected every day.

Shri Asoka Mehta: Once in three years or two years.

Shri Tulsidas: I cannot understand, Sir. Every day there will be election.

Shri Asoka Mehta: Every two or three years.

Shri Tulsidas: Well, I do not think that is a thing which is desirable. After all, a company has to function, has to work like a cabinet. You cannot have in it people from the opposition.

Shri Asoka Mehta: They are merely advisers.

Shri Tulsidas: Even the cabinet does not take you, I am sorry to say. It is no use saying something which you cannot have. It seems to my mind because they cannot get in, cannot do anything, the only chance is to have proportional representation, to see at least some way by which one can get in. That is the only thing. Otherwise, there is no advantage. It is not a good thing also. It may be in one or two concerns there may have been certain abuses. We have got enough powers under this Bill, Government have got enough powers under this Bill to make that right. There is enough power to see that the minority can approach the Government and can have their say in the company if there is anything wrong.

Shri Asoka Mehta: Why approach the Government and have lawyers again? You object to that.

Shri Tulsidas: I would ask having provided that, why do you want this. Either you remove that and have this or *vice versa*. I do not mind if my friend wants to remove all the powers of the Central Government and then have proportionate representation. I do not mind. But he wants both. Let him first say that he is prepared to agree to that.

Shri Heda: He seems to be a good bargainer.

Shri Tulsidas: He wants just to have it whatever way he likes and he does not want anything which is in the interests of the company. I am sorry to say that this proportional representation will never work.

Shri Asoka Mehta: It works in America.

Shri Tulsidas: If you read some of the litigations like the case of Montgomery Ward you will know the amount of trouble that companies had there.

Shri U. M. Trivedi: These two gentlemen should not go on talking.

Mr. Deputy-Speaker: Shri Asoka Mehta also must turn towards me. There will not be any difficulty.

Shri Tulsidas: If Shri Asoka Mheta has got some knowledge of labour management, I know at least something about company management, and you can take it on my word that this proportional representation is not going to work. He even criticised the Finance Minister on the question of...

Shri N. P. Nathwani: May I ask one question of the hon. Member? How has this system of proportional representation worked in those States of the United States of America where it is compulsory? What has he to say about that?

Shri Tulsidas: I have told him that a lot of litigation has taken place in those States, and in company management there has been complete chaos.

Mr. Deputy-Speaker: Have they changed the law? Notwithstanding this, they are clinging to that.

Shri Tulsidas: There has not been enough progress in those States.

The Lok Sabha then adjourned till Eleven of the Clock on Friday, the 2nd September, 1955.